

SA Health

Policy

Payments

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Government
of South Australia

SA Health

1. Name of Policy

Payments

2. Policy statement

This policy provides the mandatory requirements in relation to payments to creditors, the retrieval of surplus funds, and reporting obligations required to meet the relevant Treasurer's Instructions (TIs), the [Late Payment of Government Debts \(Interest\) Act 2013](#) and other regulatory requirements.

3. Applicability

This policy applies to all employees and contracted staff of SA Health; that is all employees and contracted staff of the Department for Health and Wellbeing (DHW), Local Health Networks (LHNs) including statewide services aligned with those Networks and SA Ambulance Service (SAAS).

Specifically, employees and contracted staff who are involved with governance and financial obligations.

Out of Scope

Financial management functions and responsibilities outsourced under a service arrangement, including the arrangement with Shared Services SA (SSSA), are mandated by the Service Design and Operating Level Responsibilities (SDOLR) as agreed and allocated between the public authority and the service provider (SSSA) and therefore out of scope for this policy.

4. Policy principles

SA Health's approach to payments is underpinned by the following principles:

- > We will effectively manage expenditure with the development, implementation, documentation, and maintenance of a financial compliance program.
- > We will ensure compliance with TI 2 *Financial Management*, TI 11 *Payment of Creditors' Accounts*, and TI 28 *Financial Management Compliance Program*.
- > We will ensure expenditure on goods and services is done cautiously, efficiently, and economically to maximise best value and the use of public resources.
- > We will assign responsibility for financial management obligations, relating to expenditure to the appropriate senior officers.
- > We will identify and accurately disclose expenditure in the Annual Financial Statements.
- > We have systems in place to monitor expenditure ensuring it does not inflate due to overpayments from vendors or non-retrieved surplus funds.

5. Policy requirements

Payment of creditors' accounts

DHW, LHNs and SAAS must:

- > Ensure all creditors' accounts are paid within the requirements of TI 11 and the [Late Payment of Government Debts \(Interest\) Act 2013](#) (the Late Payment Act), where SA Health retains the responsibility for creditors' payments.
- > Appropriately recognise all expenditure, ensure all valid invoices are processed accurately, and as soon as practicable, following the provision of goods received and services rendered.

- > Process all valid invoices accurately, efficiently and in a timely manner following the provision of goods received and services rendered to avoid, where applicable, the attraction of late payment interest under the Late Payment Act.
- > Ensure all payments are promptly recorded and allocated against the correct Oracle Corporate Systems (Oracle) chart of account (where applicable) and issued in a secure manner.
- > Ensure payment methods are efficient and regularly reviewed, including consideration of the use of purchase cards and electronic funds transfers.
- > Ensure any applicable invoices which attract interest are paid in accordance with the Late Payment Act.

DHW, LHNs and SAAS must dispute an invoice where it is not correctly rendered:

- > All invoices with grounds for dispute must be flagged as disputed in the public authority's accounts payable system (including feed file systems).
- > Must aim to be resolved promptly.

Late payment interest

In accordance with the Late Payment Act, DHW, LHN and SAAS must:

- > Pay interest to businesses when a default event occurs.
- > Where a default event has occurred, only correctly rendered invoices, which meet the following criteria, must be eligible for late payment interest:
 - o invoice has a value of \$1 million (GST exclusive) or less
 - o amount of interest is greater than \$10
 - o invoice relates to the provision of goods and/or services to SA Health, and
 - o invoice was issued by a business incorporated under the *Corporations Act 2001* (Cwth), or an individual whose principal place of residence is Australia.

Exemptions from late payment interest

- > DHW, LHNs and SAAS must ensure excluded invoices do not receive late payment interest.
 - o Refer to the [definitions](#) section for list of excluded invoices.

Reporting

Account performance reporting

Within 21 calendar days after the end of each month DHW, LHNs and SAAS must:

- > Forward the account payment performance report to the Department of Treasury and Finance (DTF) and the Minister for Health and Wellbeing (the Minister) in a form determined by DTF.
- > Ensure the account payment performance report:
 - o analyses the account payment performance for the month, and outline any appropriate action taken, or to be taken, and
 - o is certified correct by the Chief Finance Officer (CFO) of the public authority.

Late payment performance reporting

Within 21 calendar days of the end of the reported month, DHW, LHNs and SAAS must:

- > Provide the late payment of interest report to the Minister, DTF and/or relevant governing body in accordance with TI 11 requirements, and
- > Ensure the late payment of interest report is certified correct by the CFO of the public authority.

Expenditure

Recognition

- > An expense must be recognised in the Statement of Comprehensive Income when, and only when, it meets the following criteria:
 - It is probable that the consumption or loss of future economic benefits results in a reduction in asset and/or an increase in liability.
 - The consumption or loss of future economic benefits can be reliably measured.

Incurring expenditure

- > No liability for expenditure must be incurred unless:
 - the expenditure is necessary for the conduct of DHW, LHN and/or SAAS, and the mandatory requirements under which these operate have been complied with
 - 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 must not occur.

Authorisation of expenditure

- > Authorisation of expenditure must be in accordance with the appropriate delegation.
- > Delegates must not exceed their individual financial delegation limit.
- > Delegates must not separate a single supply or service into several 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 delegate.
- > Any additional authorisations relating to expenditure management, other than those financial delegations that are separately dealt with under [TI 8 Financial Authorisations](#) must be regularly reviewed.
- > Any creation of internal debit memos (IDMs) and internal credit memos (ICMs) in the process of retrieving vendor overpayments must be authorised by an appropriate financial delegate.

Contractors'/suppliers' performance management

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

Fees/charges payable

- > The levels of fees/charges payable for services rendered must be reviewed on an annual basis.
- > Fees and charges must only be paid when the appropriate authority has approved the fee/charge schedule.

De-recognition and/or adjustments

DHW, LHNs and SAAS must:

- > Ensure the financial delegations empower authorised persons to approve accounts payable de-recognition, or adjustments to amounts previously recognised, such as correcting journals for amounts in dispute and / or credit notes received.
- > Ensure all de-recognition and/or adjustments are authorised in accordance with financial delegations.

Resource management

- > Requirements related to the expenditure business cycle must be 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.

Prepayments

Recognition

In accordance with [TI 11 *Payment of Creditors' Accounts*](#), DHW, LHNs and SAAS must not make payment in advance for goods and services not received/ rendered unless:

- > payments are made in the ordinary course of business
- > it is deemed by the Under Treasurer or the Under Treasurer's delegate to be a payment in the ordinary course of business
- > the payment represents a deposit of 10% or less of the total value of the goods or services to be received, or
- > the Treasurer has provided express approval for the payment to be made.

DHW, LHNs and SAAS must:

- > Apply the correct accounting treatment of prepayments.
- > Ensure prepayments are correctly identified and reported in the Annual Financial Statements in compliance with the relevant TIs, Accounting Standards and other regulatory requirements.
- > Where it is uncertain whether an invoice is a prepayment or not, seek advice from Financial Accounting, DTF to prevent a potential breach of compliance with TI 11.12 and 11.13.

Grant prepayments

- > Milestone grant payments must be made only one month in advance in circumstances where the total grant, as a percentage of their revenue turnover, is more than 20% of the total revenue of the non-government organisation (NGO).

Vendor overpayments

Managing overpayment recovery

DHW, LHNs and SAAS must:

- > Manage the recovery of vendor overpayments throughout the entire process.
- > Be the initiator to obtain any refunds from the vendor, where an overpayment has occurred due to a SA Health error.
- > First, where practicable, use vendor overpayments to settle an existing unpaid vendor invoice.
 - where this is not possible, action must be taken to ensure the vendor promptly refunds those monies into the appropriate SA Health bank account.
- > Resolve the issue by raising any IDMs and ICMs, as required.
- > Raise an ICM in the first instance, where an overpayment has occurred because of a duplicate payment. Once the ICM has been processed, an IDM form must be completed where:
 - a refund has been received and sundry receipted, or
 - an AR invoice is going to be raised to formally collect the funds.

DHW, LHNs and SAAS must:

- > Claim and apply all credit memos to current unpaid vendor invoices or where the funds are recovered, efficiently.

- > Monitor that surplus funds are being applied to invoices or recovered from the vendor in a timely manner.
- > Recover all overpayments and/ or surplus funds to ensure the effective and efficient use of public monies.
- > Action the recovery of the funds efficiently (unless it is a SSSA accounts payable (AP) error).
- > Take over the management of all SSSA AP unsuccessful recovery of refunds from vendors.

6. Mandatory related documents

The following documents must be complied with under this policy, to the extent that they are relevant:

- > [AASB 101 Presentation of Financial Statements](#)
- > [AASB's Conceptual Framework - Framework for the Preparation and Presentation of Financial Statements](#)
- > [Late Payment of Government Debts \(Interest\) Act 2013](#)
- > [Liability Management Policy](#)
- > [Treasurer's Instruction 11 Payment of Creditor's Accounts](#)
- > [Treasurer's Instruction 2 Financial Management](#)
- > [Treasurer's Instruction 28 Financial Management Compliance Program](#)
- > [Treasurer's Instruction 8 Financial Authorisations](#)

7. Supporting information

- > [Contract Management Policy](#)
- > [Customer Maintenance Form](#) (For SA Health internal use only)
- > [Financial Information Policy](#)
- > [Internal \(Vendor\) Credit Memo Request Form](#) (For SA Health internal use only)
- > [Internal \(Vendor\) Debit Memo Request Form](#) (For SA Health internal use only)
- > [Procurement and Contract Management System \(PSCM\) Policy](#)
- > [Purchase Card Policy Directive](#)
- > [Requisition, Purchase Order and Invoice Management Policy](#)
- > [Tax Invoice/Adjustment Request Form](#) (For SA Health internal use only)

8. Definitions

- > **Correctly rendered invoice:** means an invoice that:
 - reflects the correct price and quantity for the goods/services delivered
 - reflects the relevant purchase order or contract reference number, if applicable
 - is GST compliant, and
 - is correctly addressed.
- > **Default event:** means definition per *Late Payment of Government Debts (Interest) Act 2013*.
- > **Dispute invoice:** means cases such as, but not limited to:
 - An invoice is incorrectly rendered, and /or is not GST compliant.
 - Goods have not been received or services have not been rendered.

- An amount charged is inconsistent with a quote, purchase order or contract.
 - The quality or quantity or delivery of goods or services is not in accordance with a quote, purchase order, or contract.
- > **Excluded invoice:** means invoices that must not receive late interest payments:
- invoices in a foreign currency
 - invoices not relating to the supply of goods or services, or where the transaction does not include monetary consideration
 - invoices to another State public authority, local or Commonwealth government public entities, and public universities
 - individual members of the public (unless they are providing goods and services to a public authority)
 - where the invoice or payment is a refund
 - a construction contract under the *Building and Construction Industry Security of Payment Act 2009*, or
 - Where a written contract exists between the public authority (including the Minister for Health and Wellbeing) and the creditor, which specifies the payment terms and provisions for interest payment should default occur.
- > **Expense:** means consumption or loss of future economic benefits in the form of a reduction in asset or increase in liability of the public authority, decreasing the equity during the reporting period.
- > **Internal credit memo (ICM):** means the form and supporting document used by SA Health as the first step in retrieving an overpayment/duplicate payment made to a vendor. This form must use the same taxation coding as the original invoice (although they are not the same legal document as a vendor issued credit note). The required next step, immediately after this, is for an internal debit memo to be raised.
- > **Internal debit memo (IDM):** means the form and supporting document used by SA Health to close off a vendor's surplus accounts payable balance where either:
- a refund has been received and been sundry receipted in Oracle, or
 - an Accounts Receivable invoice needs to be raised to formally collect the refund.
- > **Ordinary course of business:** means activities that are necessary, normal and incidental to SA Health. They are activities that support good health and wellbeing, maintaining the highest quality health care system for all South Australians.
- Some examples include program support, out of hospital health care services, community nursing programs. As outlined in TI 11.14, payments in the ordinary course of business may include items such as insurance, leases where the agreement states the payments must be made monthly in advance, motor vehicles registrations, subscriptions, telephone rental and water rates.
- > **Prepayment:** means a payment made for goods and/or services in the current accounting period that the entity expects to receive or consume fully or in part, in future periods. Accounting period, for the purpose of this policy, means the financial year, starting 1 July and ending 30 June.
- > **Public authority:** means a government department or a statutory authority as defined in TI 1 Interpretation and Application s8(1). The SA Health portfolio currently has 12 public authorities:
- Department for Health and Wellbeing (DHW)
 - SA Ambulance Service (SAAS), and
 - 10 Local Health Networks (LHNs): Barossa Hills Fleurieu 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
- > **Statewide services:** means Statewide Clinical Support Services, Prison Health, SA Dental Service, BreastScreen SA and any other statewide services that fall under the governance of the Local Health Networks.

- > **Vendor:** means the term given to a company or person that supplies goods and/or services to SA Health. A vendor may also be known as a creditor or supplier.

9. Compliance

This policy is binding on those to whom it applies or relates. Implementation at a local level may be subject to audit/assessment. The Domain Custodian must work towards the establishment of systems which demonstrate compliance with this policy, in accordance with the requirements of the [Risk Management, Integrated Compliance and Internal Audit Policy](#).

Any instance of non-compliance with this policy must be reported to the Domain Custodian for the Financial Management Policy Domain and the Domain Custodian for the Risk, Compliance and Audit Policy Domain.

10. Document ownership

Policy owner: Domain Custodian for the Financial Management Policy Domain

Title: Payments Policy

Objective reference number: A6096931

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11. Document history

Version	Date approved	Approved by	Amendment notes
1.0	26/09/2024	Chief Executive, DHW	<p>New policy aligned with Policy Framework. This policy amalgamates 4 existing policies:</p> <ul style="list-style-type: none"> • Payment of Creditor's Accounts Policy Directive • Prepayments Policy Directive • Retrieval of Vendor Overpayments Policy Directive • Expenditure Management Policy Directive

12. Appendices

Nil