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ACCOUNTS AND AUDIT DETERMINATION

FOR

PUBLIC HEALTH ORGANISATIONS

THIS DETERMINATION IS ISSUED BY THE DEPARTMENT OF HEALTH, NSW

JANUARY 2005

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FROM THE AUDIT BRANCH OF THE DEPARTMENT OF HEALTH, NSW**

STATE HEALTH PUBLICATION NO. DOMAC 89-030 ISBN 07 305 3341 7

ACCOUNTS & AUDIT DETERMINATION

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This Determination shall be cited as the “**ACCOUNTS AND AUDIT DETERMINATION FOR PUBLIC HEALTH ORGANISATIONS**”.

AUTHORITY FOR AND APPLICATION OF THIS DETERMINATION

- 1.1 In exercise of the power conferred under section 127(4) of the *Health Services Act 1997* the Director-General as delegate of the Minister has determined that it shall be a condition of the receipt of Consolidated Fund Recurrent Payments and Consolidated Fund Capital Payments that every public health organisation receiving such monies shall comply with the requirements of this Determination and the Accounting Manual for the Public Health Organisations.
- 1.2 The Director-General may impose further conditions for Consolidated Fund Payments as may be deemed appropriate in relation to any public health organisation.

RESPONSIBILITY TO COMPLY WITH THIS DETERMINATION

1.3 The Board of Directors (where applicable) and the Chief Executive, or equivalent, of a public health organisation shall be responsible to ensure:

- (i) the proper performance of its accounting procedures including the adequacy of its internal controls;
- (ii) the accuracy of its accounting, financial and other records;
- (iii) the proper compilation and accuracy of its statistical records; and
- (iv) the due observance of the directions and requirements of the Director-General and the Department

as laid down in this Determination and in circulars, policy directives and policy and procedure manuals issued by the Minister, the Director-General and the Department.

2. DEFINITIONS

- 2.1 ACCOUNTING CYCLE means a calendar month period within the 12 accounting cycles set by the Department in respect of the General Fund and Special Purposes & Trust Fund within each financial year.
- 2.2 ACCOUNTING MANUAL means the Accounting Manual for the Public Health System issued by the Department.
- 2.3 ACCOUNTING PERIOD means the accounting cycle referred to above.
- 2.4 AREA HEALTH SERVICE is an area health service constituted under section 17 *Health Services Act 1997* and specified from time to time in Schedule 1 of that Act.
- 2.5 AFFILIATED HEALTH ORGANISATION is an organisation or institution that is an affiliated health organisation under section 62 *Health Services Act 1997*, and specified from time to time in Schedule 3 of that Act.
- (i) “ **declared organisation**” means an affiliated health organisation, which has been declared by regulation under section 62A of the *Health Services Act 1997* in respect of those of its recognised establishments or services specified in the regulation.
- (ii) “ **non-declared organisation**” means an affiliated health organisation, which has not been declared by regulation under section 62A of the *Health Services Act 1997* in respect of any of its recognised establishments or services.
- 2.6 BOARD of a public health organisation means:
- (i) In relation to a statutory health corporation: the Board governed health corporation board of the corporation constituted under section 41 of the *Health Services Act 1997*.
- (ii) In relation to an affiliated health organisation: the governing body of the organisation constituted under section 62 *Health Services Act 1997*.
- 2.7 CAPITAL PAYMENTS means:
- (A) payments for the acquisition or purchase of an asset being:
- (i) The provision and servicing of land including conveyancing.
- (ii) Land development not included in (i) above.
- (iii) The acquisition or construction of new or additional buildings including site preparation and other associated costs.
- (iv) The enlargement of, or extension to, existing buildings.
- (v) Replacement of an existing building on its site including demolition and site preparation.
- (vi) Replacement of an existing building on another site including its demolition and site preparation and redevelopment of the existing site.

- (vii) Alterations to buildings directly involved with additions to buildings or their service facilities.
- (viii) Original or additional service facilities incorporated in buildings or on site (including installation).
- (ix)
 - (a) Original and additional items of equipment, furniture, furnishings and fittings associated with items (iii) to (vii) above.
 - (b) Original and additional items of equipment, vehicles, furniture, furnishings and fittings not associated with items (iii) to (vii) above.
- (x) Alterations to a part or all of a building and/or its service facilities which involve a change in functional use.
- (B) Payments for the acquisition ,purchase or development of Information Technology assets being as follows:
 - (i) computer software where costs exceed \$50,000;
 - (ii) software licences where costs exceed \$50,000; and
 - (iii) technology acquisitions greater than \$50,000 including the purchase price and any directly attributable cost of preparing the asset for use.
- (C) payments for any of the following:
 - (i) renovations to a building or part of a building;
 - (ii) additional works or services; and
 - (iii) replacement or additional equipment, plant, furniture, furnishings or fittings.

In respect of all the above, recognition of the item as a non-current asset or addition thereto, is dependent on the life/extended service capacity provided and the amount involved. The Accounting Manual provides further detail. Payments made for any of the above purposes to affiliated health organisations (under Section 62 of the *Health Services Act 1997*) are to be expensed in the Operating Statement of Area Health Services.

2.8 CHIEF EXECUTIVE

chief executive:

- i) of an area health service: means the chief executive of that corporation; or
- ii) of a statutory health organisation: means the chief executive of that corporation; or
- (iii) of an affiliated health organisation: means the person who is responsible to the governing body of the organisation for the management of its recognised establishments and recognised services.

2.9 CONSOLIDATED FUND: An account of Governmental capital and recurrent receipts and payments in respect of Departments and certain Authorities within the budget sector of the State Budget.

2.10 CONSOLIDATED FUND CAPITAL PAYMENTS means capital payments made by the New South Wales Treasurer to finance payments defined under Clause 2.7.

- 2.11 CONSOLIDATED FUND RECURRENT PAYMENTS means the ongoing operating payments of Government departments and authorities for services.
- 2.11.1 CONSTITUTIONAL CORPORATION means a corporation which conducts trading or financial activities that form a sufficiently significant proportion of its overall activities (which can vary accordingly to the particular circumstances) so as to cause it to come within the scope of s.51(xx) of the Constitution.
- 2.12 CURRENT ASSET means an asset which represents immediate purchasing power in the form of cash or claims to cash and those which will be converted into purchasing power or obviate the outlay of purchasing power within twelve months of the end of the current financial period during the normal course of operations of a public health organisation (e.g. cash, accounts receivable, inventories, stocks and short-term other financial assets).
- 2.13 CURRENT LIABILITY means the liability that would in the ordinary course of providing goods or services, be due and payable within twelve months after the end of the current financial period.
- 2.14 DEPARTMENT means the Department of Health, NSW, and has the same meaning as that contained in the *Health Administration Act 1982*.
- 2.15 DIRECTOR-GENERAL means the Director-General of the Department of Health, NSW.
- 2.16 EXPENSES means the consumption or loss of economic benefit or service potential in the form of a reduction in assets or an increase in liabilities of the public health organisation.
- 2.17 FINANCIAL YEAR means the twelve months period ending on 30 June.
- 2.18 FINANCIAL PERIOD means a period as determined by the Department of Health.
- 2.19 FINANCIAL ALLOCATION means the budget approved for a public health organisation for a financial year.
- 2.20 NON-CURRENT ASSET means an asset other than a current asset.
- 2.21 NON-CURRENT LIABILITY means a liability other than a current liability.
- 2.22 TOTAL EXPENSES means the total of all expenses incurred in any accounting period or financial year.

Other terms associated with “Capital Payments” and related “Total Expenses”

Service Facilities comprise installed systems that are essential for the functioning of hospital or allied service, land or buildings, such as steam, electricity, lifts, plumbing, internal communications, car parks, etc.

Servicing of Land means the supply to the site of utilities appropriate to the construction of a hospital or allied service (e.g. electricity, water, gas, sewerage, etc.).

Associated Costs means the cost of planning, documentation, tendering and supervision, etc.

Provision means the purchase, resumption, dedication or other means of acquisition.

Site Preparation - The site is that portion of land on which a structure is extant. This may include surrounding and/or adjoining areas which, while not supporting the building itself, have of necessity, to be developed to enable the building to function correctly. Therefore, site preparation is the physical alteration of the ground and/or existing structures to enable construction to commence.

Assets acquired with a life expectancy exceeding two years and a value of more than \$5,000 are to be capitalised irrespective of the source of funds provided for purchase.

2.23 PUBLIC HEALTH ORGANISATION means:

- (i) an area health service; or
- (ii) a statutory health corporation; or
- (iii) an affiliated health organisation in respect of its recognised establishments and recognised services.

2.24 HOSPITAL means an institution at which relief is given to sick or injured people through the provision of care of treatment.

2.25 PUBLIC HOSPITAL means:

- (i) a hospital controlled by an area health service; or
- (ii) a hospital controlled by a statutory health corporation; or
- (iii) a hospital that is a recognised establishment of an affiliated health organisation; or
- (iv) a hospital controlled by the Crown (including the Minister or the Health Administration Corporation)

2.26 RECEIPTS means in respect of the General Fund, the total of all monies received during the accounting period unless specified as Special Purposes and/or Trust Fund receipts. Special Purposes & Trust Fund receipts shall include:

- (a) donations, legacies and bequests other than those designated as General Fund;
- (b) income earned on the above, apportioned and credited to the applicable account.
- (c) other items as scheduled by the Director-General of Health;
- (d) Private Practice Trust Funds net of infrastructure charges;
- (e) proceeds of fundraising activities as defined in the Revenue Policy stated in the Accounting Manual;
- (f) Trust Funds held on behalf of third parties, i.e. patients and hospital auxiliaries;

- 2.27 REVENUES are inflows or other enhancements or savings in outflows of economic benefits or service potential in the form of increases in assets or reductions in liabilities, other than those relating to contributions by owners, that result in an increase in equity during the reporting period. It should be noted that revenues are not necessarily “receipts”, e.g. charges for fees may be raised for which monies have not been received. Conversely, not all receipts are revenues as, in some instances, the monies received are merely held in trust and are not recognised in the primary financial statements, e.g. patient trust account deposits and private practice earnings of Salaried Medical Practitioners deposited into No1 accounts in the Trust Fund.
- 2.28 STATUTORY HEALTH CORPORATION is a statutory health corporation constituted under section 41 and specified from time to time in Schedule 2 of the *Health Services Act 1997*.
- 2.29 SP & T means the Special Purposes and Trust Funds of a public health organisation. (Note the Special Purposes Fund and the Trust Fund are separate funds and there are some significant accounting differences between them in that Trust Fund balances are not reported in the principal financial statements of a public health organisation.)

3. DIRECTIONS TO PUBLIC HEALTH ORGANISATIONS**FINANCIAL and ADMINISTRATIVE**

- 3.1 All Consolidated Fund recurrent payments made by the Department to or on behalf of a public health organisation are to be recognised in the Income Statement (Operating Statement) of the public health organisation in receipt of such benefit.
- 3.2 Where, for any reason, a direct payment being a Consolidated Fund recurrent payment is made by the Department to a third party or body on behalf of a public health organisation, the organisation shall bring the payment to account, by journal entry, within the General Fund.
- 3.3 Receipts shall be applied only for the purpose for which they are paid by the Department.
- 3.4 General Fund monies shall not be used for payments other than movements in Balance Sheet (Statement of Financial Position) items or as defined in this Determination as Total Expense and Capital Sourced Payments of the General Fund without specific approval from the Department. Where computerised creditors and cheque payments or EFT systems exist it is permissible to draw EFT'S or cheques for payment from the General Fund for payment of Special Purpose Fund and Trust Fund accounts provided that reimbursement is made to the General Fund Bank Account from the Special Purpose Fund and/or Trust Fund Account at least monthly. Where payments are made from the Special Purpose Fund and/or Trust Fund for General Fund accounts reimbursement to the Special Purpose Fund and/or Trust Fund bank account is to occur on the same day.
- 3.5 Public health organisations shall comply with the Department's "Revenue Policy" as incorporated in the Accounting Manual.
- 3.6 A public health organisation shall not allow its bank account to be overdrawn without specific approval to do so from the Department. Any extraordinary cash need should be referred to the appropriate source at the Area Health Service or Central Office of the Department, allowing sufficient time for consideration and processing if approved.
- 3.7 A public health organisation shall not incur an extraordinary/non-recurrent general fund commitment which cannot be funded from its General Fund financial allocation unless the necessary funds are first obtained from the Department or some other source approved by the Department.
- 3.8 A public health organisation shall comply with the financial allocation (letters) determined by the Minister/Department. In order to achieve this, a public health organisation shall, with the approval of the Director-General, arrange its activities to comply with the financial allocation.
- 3.9 The Chief Executive shall ensure that resources allocated for the purposes of mental health, aboriginal health, and primary and community based care services are not used for any other purpose, transferred to another service or reduced.
- 3.10 The Chief Executive may not alter the purpose or level of funding allocated by the Department of Health for specific purposes without the prior approval of an authorised officer of the Department.
- 3.11 The Chief Executive is to implement strategies to consolidate and streamline corporate and administrative systems and services through the integration of these systems and services across the Health Service.

- 3.12 The Chief Executive is to apply the savings derived from progressing the consolidation and integration of administrative and corporate services to the enhancement of clinical services in the Health Service. The Chief Executive is to act consistently with financial targets specified by the Director-General in respect of the consolidation and integration of administrative and corporate services and is to identify the clinical services to be enhanced. The financial savings and their conversion to clinical services is to be the subject of independent audit.
- 3.13 Public health organisations are to comply with all tax laws, maintain appropriate accounts and make collections and remittances as required under tax legislation.

EMPLOYEE RELATIONS - PERSONNEL**3.14 Payment of Salaries and Wages – NSW Health Service**

- 3.14.1 Area health services, statutory health corporations and declared affiliated health organisations, in processing payments for staff of the NSW Health Service, are to ensure that salary and wage rates and conditions conform strictly with the relevant industrial instrument or Determination of the Director-General or authorised delegate, and are not exceeded without the specific approval of the Director-General or authorised delegate.

3.15 Staff of Non-Declared Affiliated Health Organisations which are not constitutional corporations

- 3.15.1 A non-declared affiliated health organisation which is not a constitutional corporation is to ensure that salary and wage rates and conditions conform strictly with the relevant industrial instrument or Determination of the Director-General or authorised delegate, and are not exceeded without the specific approval of the Director-General or authorised delegate.
- 3.15.2 A non-declared affiliated health organisation which is not a constitutional corporation shall comply with any current Policy Directives, or other directions and policies, issued by the Department dealing with the terms and conditions of employment of members of the NSW Health Service, unless authorised by the Director General or authorised delegate to depart from such Policy Directives, directions or policies.

3.16 Staff of Non-Declared Affiliated Health Organisations which are constitutional corporations

- 3.16.1 A non-declared affiliated health organisation which is a constitutional corporation shall, to the extent permitted by law, provide to the staff it employs in connection with its recognised establishments and services the same rates and conditions as specified in any relevant industrial instrument, or fixed by a Determination of the Director General or authorised delegate, that would apply if the non-declared organisation were a declared organisation and the staff were members of the NSW Health Service employed under Part 1 of Chapter 9 of the *Health Services Act 1997*. This requirement includes a specific requirement that the remuneration provided to each such employed member of staff should not exceed the particular rate that would be applicable under any relevant industrial instrument or Determination
- 3.16.2 A non-declared affiliated health organisation which is a constitutional corporation shall, to the extent permitted by law, comply with any current Policy Directives, or other directions and policies, issued by the Department dealing with the terms and conditions of employment of members of the NSW Health Service, unless authorised by the Director General or authorised delegate to depart from such Policy Directives, directions or policies.

3.16.3 A non-declared affiliated health organisation which is a constitutional corporation shall provide authorised industrial officers of industrial organisations of employees with the rights of entry and inspection that would apply under Part 7 of Chapter 5 of the *Industrial Relations Act 1996* if the affiliated health organisation were a declared organisation and the staff were members of the NSW Health Service employed under Part 1 of Chapter 9 of the *Health Services Act 1997*.

3.17 Affiliated Health Organisations generally in respect of their staff in recognised establishments or recognised services

3.17.1 An affiliated health organisation shall maintain a staff profile in accordance with the instructions issued by the Department.

3.17.2 A nominee of the Director-General shall be involved in the selection process, including representation on a selection committee, for the appointment of a person to a position in an affiliated health organisation where such an appointment requires the approval of the Director-General under legislation or under a Policy Directive issued by the Department.

3.17.3 Policy Directives issued by the Department regarding the right to private practice for salaried staff specialists and dental practitioners shall be complied with by those affiliated health organisations which have granted such rights to those employees.

3.17.4 (a) Affiliated health organisations must not enter into any arrangements with individual staff members (for example Deeds of Release, termination payments etc) in respect of the settlement of any employment or industrial dispute, or on the termination of employment, which involves the payment of money or benefits to the employee over and above those which comply with clause 3.15 or 3.16 (as the case may be), without the prior written approval of the Deputy Director-General, Health System Support, or the General Counsel of the Department.

(b) Paragraph (a) does not apply to:

- (i) the Treasury Managed Fund arrangements concerning the settlement of worker's compensation claims; or
- (ii) the settlement of unfair dismissal cases lodged with the NSW Industrial Relations Commission, provided such settlement does not exceed the maximum amount of compensation that may be awarded by the Industrial Relations Commission under s.89 of the *Industrial Relations Act 1996* i.e. the remuneration of the dismissed employee during the period of 6 months before the termination of employment.

3.18 Visiting Practitioners

A public health organisation shall not, without the specific approval of the Director-General or authorised delegate, provide to any Visiting Medical or Dental Officer remuneration or conditions of service other than in accordance with the rates and conditions specified in Policy Directives or Information Bulletins issued by the Department.

Clauses 3.19 to 3.21 vacant.

WORKFORCE DEVELOPMENT

- 3.22 The Chief Executive shall develop a workforce strategy consistent with the NSW Health Workforce Action Plan. The objectives of the strategy will be to:
- (i) deliver an equitable and appropriate distribution of medical, nursing and allied health staff within the Area;
 - (ii) improve recruitment and retention of health staff;
 - (iii) support the achievement of the Clinical Services Plan;
 - (iv) implement effective models of care;
 - (v) provide greater flexibility in delivering health care, with less demarcation between professional groups and a clearer focus on meeting the needs of individual patients;
 - (vi) support multidisciplinary approaches to health training that will extend the professional skills of clinicians, including GPs and nurses;
 - (vii) provide a supportive culture for continuous improvement;
 - (viii) offer flexible working arrangements for clinical staff, with family friendly workplaces and strategies to make better use of the skills of mature age health workers;
 - (ix) support new approach to planning future workforce needs, with improved data to help meet future staffing needs;
 - (x) become the industry and employer of choice based on the quality and safety of work arrangements and enhanced job satisfaction;
 - (xi) ensure compliance with reasonable workload guidelines issued by the Department of Health from time to time.
- 3.23 The Chief Executive shall ensure the Area workforce strategy addresses issues raised in the Rural Health Report in regard to development of models appropriate to a rural setting.
- 3.24 The Chief Executive shall ensure that the workforce strategy sets realistic expectations for the growth and development of the clinical workforce and that it includes consideration of innovative models of service delivery that make best use of available staff.
- 3.25 The Chief Executive shall ensure there is effective collaboration with the Rural Institute of Clinical Services and Teaching, the Rural Health Taskforce and the Department of Health in the development of the workforce strategy.

CONSULTATION

- 3.26 The Chief Executive shall ensure the development of a community and clinical consultation framework which satisfies the following criteria:
- (i) it is to be consistent with the statutory consultation framework under the Health Services Act;
 - (ii) it provides for effective representation of clinician and community interests throughout the new Area Health Service; and
 - (iii) it retains and incorporates local community consultative bodies established within the Health Service.
- 3.27 The Chief Executive shall establish and maintain an effective process of industrial consultation with health service unions in accordance with the framework advised by the Department of Health.

PLANNING AND SERVICE DEVELOPMENT and PROVISION

- 3.28 No public health organisation shall cease any patient care service or close any ward without prior written notice to the Minister through the Department. To ensure that proposals for such action are able to be examined and seven clear days notice can be given to the Minister, they should reach the Department not less than 14 days prior to the proposed cessation or closure.
- 3.29 No new health service shall be undertaken or introduced without 21 days prior written notice to the Minister through the Director-General.
- 3.30 The Chief Executive is to develop an Area Clinical Services Plan (the Plan) for the Health Service which satisfies the following criteria:
- (i) The Plan is to incorporate the principles of equity of access to clinical care throughout the Area and the delivery of clinical services to patients as close to their homes as possible, consistent with quality health care outcomes.
 - (ii) The Plan shall be inclusive of the range of services from preventive and primary care through to rehabilitation and palliative care.
 - (iii) The planning and development of clinical services shall be consistent with the resource shares of the Health Service which are currently recognised under the Department of Health Resource Distribution Formula.
 - (iv) The Plan is to be undertaken in conjunction with a workforce development strategy that supports the achievement of the clinical service objectives.
 - (v) Adequate consultation with other area health services and other relevant public health organisations is to be undertaken in developing the Plan. Where relevant supra-area networks exist and are working effectively, they are to be maintained and incorporated in the Plan.
 - (vi) The Plan is to be consistent with the recommendations and strategies identified in the Rural Health Report and the Rural Health Plan.
 - (vii) The Plan is to address models of service delivery for different parts of the Area, which incorporate primary care elements and support the current relationship with Aboriginal health partners in service provision.
 - (viii) The Plan is to address specific issues of cross-border service delivery, and the provision of tertiary services, including outreach services.
- 3.31 The Chief Executive is to ensure that clinicians are formally and equitably represented in all clinical network management structures.

AUDIT

- 3.32 Under the provisions of clause 7.2 of this Determination the Chief Executive of an affiliated health organisation (as a public health organisation) shall establish and maintain an effective internal audit organisation, in respect of its recognised establishments and recognised services as listed in Schedule 3 of the Health Services Act 1997. The internal audit organisation shall be directly responsible to the Chief Executive.

The Chief Executive of the affiliated health organisation is to ensure that the internal audit organisation is the subject of a periodic quality assurance review in accordance with the Institute of Internal Auditors Standards. The internal audit organisation is to at least annually review and report to the Chief Executive of the affiliated health organisation that public monies allocated to the affiliated health organisation by the Department of Health and area health service are used only for the purpose for which they are allocated, being the conduct of the recognised establishments or recognised services of the affiliated health organisation.

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4. DISTINGUISHING BETWEEN FUNDS**A. INTRODUCTION**

4.1 Three funds shall be maintained in respect of each public health organisation:

- (i) A General Fund;
- (ii) A Special Purposes Fund; and
- (iii) A Trust Fund

Note: Separate Special Purposes and Trust Funds in respect of a subsidiary public hospital can be dispensed with, only with the prior written approval of the Chief Executive of the Area Health Service, if the transactions of that subsidiary public health organisation are entered in the Special Purposes and Trust Fund's records of the main public health organisation and are clearly identified.

4.2 Each fund shall be separate and distinct, having accounting and associated records which are adequate to record the affairs of each Fund with accuracy and reliability.

4.3 Separate bank accounts shall be operated in respect of the Special Purposes Fund, the Trust Fund and the General Fund viz, three bank accounts. Where one cheque or EFT run is done to pay creditors of all Funds reimbursement is to be made to the General Fund Bank Account from the Special Purpose Fund and/or Trust Fund Accounts at least monthly. If payments are made from the Special Purposes Fund and/or the Trust Fund for General Fund accounts the Special Purposes Fund and/or Trust Fund bank accounts are to be reimbursed on the same day.

4.4 Banking institutions with which a bank account may be operated by area health services and statutory health corporations shall be approved institutions under the ***Public Authorities (Financial Arrangements) Act 1987***. Banking institutions with which a bank account may be operated by affiliated health organisation, in respect of Departmental funds, shall be approved institutions under Part 1 of the ***Public Authorities (Financial Arrangements) Act 1987***.

Banking arrangements shall be reviewed at those intervals and for those purposes as set out in the Accounting Manual.

4.5 Accounting records shall be maintained on the double entry system using ledger accounts and journals to accurately and reliably record the financial operations and affairs of the public health organisation.

4.6 The accounts of the Special Purposes and Trust Funds shall be kept on a full accrual accounting basis as separately prescribed in the Accounting Manual.

4.7 The accounts of the General Fund shall be maintained according to:

- (i) The provisions of this Determination;
- (ii) generally accepted accounting standards and practices for accrual accounting to provide for income and expenditure to be accurately apportioned to the financial year to which it applies. This will necessitate financial adjustments by journal to allow for accruals and prepayments and other balance day adjustments, at balance date; and

- (iii) procedures and policies as contained in the Accounting Manual. In particular the sections on accrual accounting.

A public health organisation shall dissect its accounting by program as specified by the Department of Health, NSW.

Revenues should be recorded in the period in which the service is given, although payment may be received in a prior or subsequent period.

Expenses should be recorded in the period in which the benefit is received, although payment may be made in a prior or subsequent period.

- 4.8 The accounts and other records of a public health organisation shall be maintained to provide for the preparation of all financial and statistical information in the form required by the Department.
- 4.9 A public health organisation shall classify as Capital Payments any payment which comes within the definition in clause 2.7.
- 4.10 Payments for the following building works shall be classified as capital payments:
- **new** hospitals or buildings;
 - **extensions** to existing hospitals or buildings;
 - **replacement** of hospitals or buildings;
 - equipment and services associated with any of the above provided that the assets acquired exceed \$5,000 in value and have a life expectancy of more than two years; and
 - Information Technology acquisitions that exceed \$50,000.
- 4.11 Movements in Balance Sheet (Statement of Financial Position) balances (excluding capital acquisitions sourced other than from the RMR allocation) and Total Expenses shall be sourced from the Operating financial allocation (Consolidated Fund recurrent payments), retained General Fund revenues, and revenues in the Special Purposes Fund specific for that purpose or as approved for use by the Director-General. Capital Payments shall be funded from the Capital financial allocation (Consolidated Fund capital payments, approved borrowings and other approved financial accommodation).
- 4.12 All capital transactions funded by the Department shall be recorded in separate ledger accounts in the General Fund with the assets being duly capitalised in accordance with the provisions of this Determination and the Accounting Manual.

All capital transactions funded from Special Purposes Fund &/or Trust Fund are to be recorded in the accounts of the Special Purposes &/or Trust Funds and the assets shall be capitalised in the General Fund and reported in the Combined Balance Sheet (Statement of Financial Position) for the General Fund and the Special Purposes Fund.

B. GENERAL FUND

- 4.13 The General Fund shall record all assets and liabilities, the movement therein and all Capital Works transactions and all transactions of the public health organisation which are defined as Operating Expense and Revenue, in compliance with the provisions of this Determination and the directions of the Director-General as issued from time to time; and in accordance with the procedures laid down in the Accounting Manual.

- 4.14 Ledger accounts shall be classified in accordance with the requirements of the Accounting Manual and the uniform chart of accounts developed by the Department.
- 4.15 To effectively record values for non-current assets, such values shall be capitalised when the asset is brought into use. Prior to the non-current asset being brought into use expenditures incurred should be recognised as work in progress.
- 4.16 A gift in kind, of a capital nature shall be capitalised like any other non-current asset.
- 4.17 All revenue earned apart from recredits and approved Special Purposes and Trust Funds, and interest earned on the Capital Works Account of the General Fund are to be credited to General Fund revenue. General Fund interest earned on a General Fund bank account (other than the Capital Works Account) or invested General Fund money is to be credited to the General Fund as Investment Income, and all General Fund bank charges are to be debited to Goods and Services. Interest earned on the Capital Works Account is to be recognised as “Interest to Department of Health” and is to be remitted to the Department by the sixth working day of the month following the credit to account with a debt being raised against “Interest to Department of Health”.
- 4.18 Accounting for motor vehicles requires the recognition of gains/loss on disposal similar to the treatment recognised for other items of Plant and Equipment. The cash received shall be brought to account as a receipt in the General Fund bank account.

C. SPECIAL PURPOSES AND TRUST FUNDS

- 4.19 An asset of the Special Purposes or Trust Funds shall be applied only in accordance with the purpose for which it has been received and the conditions attached to it.

4.20 ACCOUNTING FOR CONDITIONAL FUNDS

- (1) An appropriately named account shall be opened within the Special Purposes Fund to record all transactions in respect of each special purpose account for which the assets of the Fund are held. Each account shall be credited with all revenue and debited with all expense in respect of the specific purpose to which it relates, so that the credit balance on each account will represent the amount held for each specific purpose while the cash and other asset accounts of the Fund will show the form in which those assets are held.
- (2) A Samaritan Fund must be kept as a separate and distinct account in the Special Purposes Fund for the public hospital or area health service for which the Samaritan Fund is established. (The accounts for the Samaritan Fund are to be kept in the same manner as other Special Purpose accounts and in accordance with procedures specified in the Accounting Manual.)
- (3) The cost of any asset purchased (or the value of any asset otherwise acquired) through the Special Purposes Fund shall be debited to the appropriate asset account and credited to the Accumulated Funds Account in the General Fund by journal entry.
- (4) The cost of any asset purchased (or the value of any asset otherwise acquired) through the Trust Fund shall be debited to the appropriate asset account and credited to Industry Contributions in Kind in the General Fund by journal entry.

- 4.21 The Special Purposes Fund shall be credited with:
- (i) donations, legacies and bequests other than those designated as General Fund;
 - (ii) proceeds of fundraising activities;
 - (iii) any unconditional donation/bequest provided that the monetary value of such an item shall be credited to an account with the title "Public Contributions Account";
 - (iv) other items as approved by the Director-General of Health;
 - (v) the income earned on any asset of the Fund where the conditions attached to the asset require that moneys be credited to the Special Purposes Fund as opposed to the general practice of crediting the General Fund.

- 4.22 The Trust Fund shall be credited with:

- (i) trust funds held on behalf of third parties, i.e. patients and hospital auxiliaries;
- (ii) private practice trust funds;

- 4.23 Interest earned from the investment of Special Purposes and/or Trust Fund assets shall be apportioned to each respective account in a timely and equitable manner but not later than 30 June in each financial year.

- 4.24 Income which is earned on the Special Purposes and/or Trust Fund assets but not received in cash shall be brought to account at least by the end of each financial year.

- 4.25 Monies in the Public Contributions Account shall be applied to any of the following:

- (a) the acquisition and improvement of land;
- (b) the construction of or additions to or renovations of buildings;

The prior written approval of the Department of Health shall be obtained before incurring expenditure on (a) or (b) where it involves the purchase of land or buildings or the erection of new buildings or the extension of buildings.

Approval of the board (or delegate) or Chief Executive (or delegate) of an area health service and Royal Alexandra Hospital for Children shall be obtained before incurring expenditure on (a) or (b) where such expenditure does not require Department of Health approval eg restoration of buildings.

- (c) the purchase of plant and equipment;

The approval of the Board (or delegate) or Chief Executive (or delegate) of an area health service and Royal Alexandra Hospital for Children shall be obtained before incurring expenditure on (c). The Board (or delegate) or Chief Executive (or delegate) of an area health service and Royal Alexandra Hospital for Children is to be provided with a statement detailing the estimated annual operating costs associated with the use of the equipment or plant.

- (d) any other health related purpose approved by the Director-General.

D. ANNUAL RETURN

- 4.26 At the end of each financial year a public health organisation shall prepare, in the form required by the Department, an Annual Return incorporating details of financial performance, patient activity, operations statistics and specific data in support of claims under the *Motor Accidents Act (NSW) 1988*.

The Annual Return shall be certified as to correctness by the Chief Executive and shall be lodged in accordance with the annual timetable advised by the Department.

Internal auditors should ensure that their audit plans include provisions to audit the reliability and integrity of non-financial as well as financial information through the application of appropriate audit programs and that omissions, weaknesses or deficiencies found in information quality or systems are promptly reported to management for correction.

ANNUAL REPORT

- 4.27 At the end of each financial year a public health organisation shall prepare an Income Statement (Statement of Financial Performance), Balance Sheet and Statement of Cash Flow combining both the General Fund and the Special Purposes Fund.

Formats required are prescribed in the Accounting Manual.

The notes to the Financial Statements as required in the Accounting Manual are to include the undermentioned in respect to consultancies.

The Annual Report is to include a table listing the following details for all consultants (as opposed to contractors) engaged during the year exceeding \$30,000 in cost:

- (1) Project title;
- (2) The organisation or consultant engaged;
- (3) The actual cost.

For consultancies costing less than \$30,000 the following information must be published:

- (1) The total number of consultancies under \$30,000;
- (2) The total cost.

If no consultancies were engaged during the year, a statement to this effect must be included. The value of consultancies is to be reported within the sub-categories specified in the Purchasing & Supply Manual.

- 4.28 The Chief Executive of a public health organisation shall ensure that the financial statements required for both Funds are presented to the auditor for audit within two weeks of the end of the financial year, together with a statement signed by the person primarily responsible for their preparation and the Chief Executive.

The format of the statement is prescribed in the Accounting Manual.

- 4.29 In order to comply with the Department's requirements in respect of presentation and disclosure of the information in the statements which are required by this Determination to be included in an Annual Report, the statements shall be so prepared as to ensure that:
- (a) the required statements include:
 - actual results for the financial year recently completed and the previous year;
 - relevant statistics and performance indicators compared in respect of both years; and
 - the auditor's certificate and audit qualifications (if any) in respect of the financial statements;
 - (b) the auditor's certificate is presented in exactly the same context as it was presented in the actual report issued by the auditor;
 - (c) the public health organisation which has been audited discloses in the notes of the financial statements in the Annual Report, the accounting policies followed in the preparation and presentation of those financial statements; and
 - (d) the financial statements are presented in accordance with the format prescribed in the Accounting Manual to ensure a uniformity of presentation prevails in respect of public health organisations generally.
- 4.30 Twenty-seven copies of the annual report which contains the audited financial statements are to be lodged with the Department for Departmental use/parliamentary distribution:
- (i) by an area health service/statutory health corporation by 31 October each year. A further copy is to be forwarded directly to the Audit Office of NSW.
 - (ii) by other public health organisations not specified in 4.29(i) by 30 September each year - one copy to the Director-General and the other to the Department's Library.
- 4.31 A notice is to be inserted by each public health organisation in local newspapers advising:
- (i) that the Annual Report containing the audited financial statements is available for inspection; and
 - (ii) the place where these statements may be inspected, including the Department's Library.
- 4.32 Appropriate statistical information for the current and previous year shall be included with the published annual report.
- 4.33 Annual Reports should include a Report of Operations. Public health organisations are required to include information in Annual Reports as specified by the Department of Health from time to time. Such information will, as a matter of course, conform with the Treasury Annual Reporting Compliance Checklist.

E. ACCOUNTING CYCLE/MONTHLY AND QUARTERLY REPORTS**Internal Reports****4.34 Objectives of the Finance Committee**

Health Services, through their Finance Committees should aim to ensure the integrity and consistency of financial reports. They should also meet the spirit as well as the letter of reporting standards.

The main purpose of finance reports to the Chief Executive(area health services and Royal Alexandra Hospital for Children) or Board is to provide relevant information to assist the executive/Board members to enable them to understand the Health Service's exposure to financial risks, the extent to which they are being effectively managed and the impact of these risks on the financial performance of the Health Service.

Reports should be succinct and focus on key issues that require the attention of the Chief Executive (area health service or Royal Alexandra Hospital for Children) or Boards in a narrative style rather than voluminous pages of detailed figures. They should be prepared in accordance with accounting standards and statutory requirements as well as guidelines issued from time to time by the NSW Department of Health.

In order to appropriately achieve its primary objective Finance Committees should ensure monthly financial reports provided and certified as to correctness by the Executive include as a minimum:

- an executive summary;
- financial performance (defined as year to date and projections to 30 June) of each major cost centre with the total agreeing with NSW Department of Health figures;
- liquidity performance (defined as year to date and projections to 30 June) comprising cash at bank, bank overdrafts, unpresented cheques, creditor information, debtor information, operating balances separated from capital fund balance;
- position of Special Purpose and Trust Funds with explicit advice on any account overdrawn, the cause and corrective action and a statement that such funds are operated in accordance with NSW Department of Health policy. Where such a statement cannot be given, the Director of Finance is to provide an explanation and corrective action and advice of this fact must be included in the Executive Summary as a departure from approved policy;
- activity performance against the NSW Department of Health and Health Service targets;
- advice on milestone achievement of Government Action Plan financial reforms (eg Episode Funding, Capital Charging, Budget Holding);
- status of annual financial statements preparation, audit certificate for inclusion in the Annual Report;
- financial/timeframe performance (defined as year to date and projections to 30 June) on capital works which are reportable to the NSW Department of Health;
- financial/timeframe performance (defined as year to date and projections to 30 June) of any private sector initiative including formal approval status.

All reports to the Finance Committee should include appropriate narrative comments on material issues that support financial/activity data. Such comments should also inform the Finance Committee of issues and corrective action where required. Narrative comments should be restricted to between 1-2 pages.

In respect of Finance Committees for Public Health Organisations ,other than area health services and the Royal Alexandra Hospital for Children , the Chairperson of the Finance Committee should be briefed by the Chief Executive before each meeting in respect of:

- issues of concern and relevant strategy/corrective action
- NSW Department of Health assessments as may be notified in writing
- advice on forward years budget

Finance Committees need to ensure that Action items and matters subject to ongoing monitoring continue to be reported. Such items would include quarterly advice on the management of Workers Compensation large claims.

For Finance Committees for Public Health Organisations other than area health services and the Royal Alexandra Hospital for Children the Chairperson of the Finance Committee (where a Board sub-Committee) is to ensure that the Executive Summary for the full Board appropriately identifies:

- matters approved
- matters referred to the full Board for consideration of a decision or for information

4.35 Better Practice Principles

Better practice principles in corporate governance suggest that it is appropriate that the Chief Executive of an area health service or Royal Alexandra Hospital for Children chair the Finance Committee or the Treasurer for other public health organisations when this committee is a sub-committee of the Board. It is acceptable where the Board Chair wishes to chair this sub-committee (where established). The following additional better practice principles are recommended for the effective operation of Finance Committees:

- Finance Committees should meet monthly;
- If the full Board (Public Health Organisations other than area health services and Royal Alexandra Hospital for Children fulfills the role of the Finance Committee, the Finance Report must be received and discussed at each ordinary meeting of the Board (ie, it must not be noted or deferred);
- Chief Executives must attend all Finance Committee meetings, except where absent or on approved leave. Board Chairs (Public Health Organisations other than area health services or Royal Alexandra Hospital for Children are to monitor Chief Executive attendance to ensure that absences are infrequent;
- reports by management to the Finance Committee should include advice which reconciles the Finance Committee Report to monthly finance reports to the NSW Department of Health;
- Finance Committees should meet no later than 28 days after the end of each month to discuss that month's figures and the Executive analysis;

- Finance Committees should primarily focus on the financial management of funds for which the Health Service is responsible;
- the Audit Committee is to be separate from the Finance Committee;
- where the Finance Committee is a sub-committee of the Board (Public Health Organisations other than area health services or Royal Alexandra Hospital for Children), an Executive Summary Report should be tabled at monthly Board meetings including matters of concern, key indicators and any exceptions to acceptable practices;
- letters to management from the Auditor-General, Minister for Health, and the NSW Department of Health relating to significant financial matters should be tabled at the Finance Committee.

Where appropriate such letters need to be accompanied by an Executive response or analysis and are to be referenced in the Executive Summary.

NSW Department of Health letters would include but not be restricted to:

- initial allocation;
- forward years budget;
- concerns over financial management, activity management or capital works management;
- explanations of internal control weaknesses or departure from approved NSW Department of Health policy.

Where appropriate such letters need to be accompanied by an Executive response or analysis and are to be referenced in the Executive Summary.

External reports

- 4.36 A public health organisation shall prepare and submit by the due date, the financial, statistical and other reports required by the Department.
- 4.37 A public health organisation shall maintain those patient statistics as are required to be kept by the Department in a manner which ensures that the statistical information required from time to time may be readily inspected and/or used to prepare the reports required by the Department.

5. ACCOUNTING RECORDS

5.1 A public health organisation shall keep accounting records and maintain suitable accounts by manual or electronic means in compliance with:

- (i) The requirements and procedures of this Determination;
- (ii) The Accounting Manual;

to ensure that its financial affairs are accurately and reliably recorded.

LEDGERS

5.2 A general ledger shall be kept at minimum, in a form that satisfies the Department's reporting requirements for both the General Fund and the Special Purposes Fund. It shall be regularly updated and balanced at the end of each accounting cycle. Trial balance records should be retained for at least two (2) years. The classification of accounts in public health organisation ledgers are to comply with any uniform chart of accounts developed by the Department.

5.3 Appropriate subsidiary ledgers shall be maintained to enable a public health organisation to comply with the requirements of this Determination.

5.4 A control account shall be maintained in respect of each subsidiary ledger and the ledger balances shall be reconciled with the control account at the end of each accounting cycle.

JOURNALS

5.5 The following journal shall be used as a minimum:

General Journal (with appropriate narrations for each entry);

and other subsidiary journals as are required to ensure that the financial affairs of a public health organisation are accurately and reliably recorded.

5.6 In respect of all accounts of a public health organisation cash records shall have provision for dissection in accordance with Accounting Manual requirements and be updated regularly. Cash records shall be reconciled with official records maintained by the bank or financial institution (i.e. bank statement, certificate, passbook etc.) at the end of each accounting cycle for the General Fund, the-Special Purposes Fund and the Trust Fund and particulars of the reconciliation shall be:

- (i) recorded in an appropriate section of the cash records;
- (ii) signed by the person preparing the reconciliation;
- (iii) checked and signed by the supervisor of the person who prepared the reconciliation.

COMMITMENTS REGISTER

5.7 A public health organisation shall maintain a Commitments Register by major line item to ensure that all commitments incurred are promptly recorded and all claims for payment are compared and acknowledged in that register so that the outstanding commitments payable by the public health organisation can be ascertained at any time within a financial year. Particulars of the requirements for and conditions of use of a Commitments Register are contained in the Accounting Manual.

STORES AND INVENTORY CONTROL

- 5.8 A Chief Executive shall ensure that:
- (a) as far as practicable, goods are held in a controlled store(s) and an adequate system of control is applied in the receipt, safeguarding and issuing of these stores and in compliance with the relevant provisions of the Department's Purchasing and Supply Manual;
 - (b) records of stock checks and stocktakes shall be retained for two years after the date of examination of the latest entry by audit or inspection;
 - (c) a complete stocktake is to be undertaken at 30 June of each year other than where agreement has been reached with external audit due to the existence of other measures of effective stock control (see Accounting Manual). The stocktake shall be carried out by an independent officer nominated by the Chief Executive. Such stocktake is to include all stock held in stores but is not to include stores issued that have been expended, i.e. these are recognised as brought into use by various hospital cost centres. Written stocktake instructions shall be issued prior to commencement of the stocktake;

ASSETS REGISTER

- 5.9 The Chief Executive of a public health organisation shall ensure that an assets register is maintained in respect of the assets of the public health organisation, in accordance with the provisions set out in the Accounting Manual.

REGISTER OF ACCOUNTABLE RECORDS

- 5.10 A public health organisation shall maintain a record of all accountable forms and records unissued in stock, in use, and used or cancelled. The register shall be a bound volume with numbered pages and shall show particulars of the relevant serial numbers, the date of issue, the person to whom the documents were issued, the location where they are to be used, the date when the volume was returned as used or to be cancelled etc., and the signature/initials of the persons issuing and receiving the documents. See Accounting Manual for items to be recorded.

RETENTION OF RECORDS

- 5.11 A public health organisation shall retain all records for the periods as specified in Disposal Authorities approved by the State Records Authority.

6. BUSINESS UNITS (GROUP SERVICES/COMMERCIALISATIONS)

- 6.1 Business Unit's (e.g. a group linen service, pathology service) financial and reporting arrangements are to be in accordance with the Accounting Manual and consistent with the Government's Memorandum 97-24 "Service Competition Guidelines".
- 6.2 The accounting records of a Business Unit shall be kept in accordance with the requirements specified in the Accounting Manual and the Accounting and Reporting Principles and Conditions for Business Units.
- 6.3 The financial statements of a Business Unit shall be included in the audited consolidated financial statements and the annual report of the public health organisation which is responsible for the management control of the Business Unit.
- 6.4 All Business Units and commercialisations are to be included in General Fund monthly reports.

7. INTERNAL CONTROL, INTERNAL AUDIT and RISK MANAGEMENT**A. GENERAL**

7.1 The Chief Executive of a public health organisation shall maintain an effective system of **internal control** over financial and other operations, including:

- (a) sound management policies and practices for the conduct and supervision of those operations;
- (b) sound practices for the efficient, effective and economical management of functions carried out by the public health organisation or any branch or section of the organisation;
- (c) a system of authorisation and recording, and procedures adequate to provide accounting control in respect of assets and liabilities, receipts and revenue and payments and expenditure;
- (d) proper segregation of functional responsibilities; and
- (e) procedures to review the adequacy of and compliance with the system of internal control.

7.2 The Chief Executive of a public health organisation shall establish and maintain an effective **internal audit** organisation which shall be directly responsible to the Chief Executive for:

- (a) regular appraisal of the adequacy and effectiveness of the organisations:
 - (i) system of internal control and appraisal of compliance with that system;
 - (ii) risk management program; and
 - (iii) governance processes.
- (b) review of operations or programs, to ascertain if results are consistent with established or appropriate objectives and goals and if the operations or programs are being carried out as planned; and
- (c) reporting directly at regular intervals to the Chief Executive on the result of any audit appraisal, inspection, investigation, examination or review made by the internal audit organisation. The Manager, Internal Audit or the internal auditor as the case may be is to have direct access to the Chairperson of the Audit Committee and the Chairperson of the Board or Chief Executive in respect to area health services and the Royal Alexandra Hospital for Children.

Internal audit units and internal auditors in public health organisations are to comply with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

In regard to independence an internal auditor whether an employee of the NSW Health Service or a contractor shall avoid a conflict of interest and is not to perform work that is not in accordance with this clause. The internal auditor is to comply with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors regarding independence and the Code of Ethics for Internal Auditors issued by the same organisation.

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An area health service or statutory health corporation will not engage an Internal Audit Manager without the prior consent of the Department of Health, on the recommendation of the Chief Executive. The Director, Corporate Governance and Risk Management of the Department, or his/her nominee, shall be represented in the selection process. Once employed, under terms and conditions agreed between the area health service or statutory health corporation and the Department of Health, action will not be initiated or implied to the detriment of the terms of employment/engagement by the area health service or statutory health corporation, without the prior consent of the Director of Corporate Governance and Risk Management of the Department of Health.

The area health service or statutory health corporation will not accept the resignation of, or otherwise dispense with the services of the Internal Audit Manager, without the prior written consent of the Director of Corporate Governance and Risk Management of the Department of Health.

7.3 The Chief Executive of the public health organisation is to establish and maintain an effective process of fraud control and prevention, consistent with policies issued by the Department of Health that includes but is not limited to:

- (a) regular conduct of fraud and corruption risk assessment;
- (b) management of risks identified by (a); and
- (c) processes for identification of and reporting to relevant authorities of any fraud and/or corrupt conduct.

7.4 The Chief Executive of a public health organisation (non area health service/Royal Alexandra Hospital for Children) shall ensure that a report received by the public health organisation in respect of an inspection or enquiry under the provisions of the *Health Services Act 1997* is submitted to the meeting of the Board which next follows the date on which the report was received.

7.5 While the responsibility of a Chief Executive shall not be limited in respect of the duties set out in Clauses 7.1 and 7.2, of this Determination, the Chief Executive of a public health organisation shall ensure that adequate internal controls are applied to ensure that amongst other things:

- (i) salaries and wages are correctly prepared, recorded, checked and authorised;
- (ii) any goods or services procured are correctly obtained in respect of their source and cost;
- (iii) goods or services are correctly ordered and the order is correctly authorised;
- (iv) payment is made only after appropriate checks have been made and the payment has been correctly recorded and authorised;
- (v) a fee is correctly raised and recorded for each chargeable service provided by the public health organisation;
- (vi) that all monies receivable are correctly brought to account and that all monies received are correctly receipted, recorded and banked; and
- (vii) goods received are correctly stored and stores and other assets are adequately safeguarded.

- 7.6 Chief Executives are to ensure that there is an effective framework for the identification, analysis, treatment and monitoring of risk of **all** operations of the organisation.

B. AUTHORITY TO INCUR EXPENDITURE

- 7.7 Revoked – March 2006
- 7.8 Expenditure of the funds of a public health organisation shall only be committed or incurred by a person, within the limits of a delegation conferred in writing on that person by the relevant governing authority.
- 7.9 The Chief Executive shall ensure that a Commitments Register is maintained and that each commitment is correctly recorded in that register. (Refer to Clause 5.7)
- 7.10 A person who commits or incurs expenditure shall be responsible to exercise due economy and to ensure that funds are available for the purpose of that expenditure before any commitment is incurred.
- 7.11 A public health organisation shall maintain a Manual of Delegations to record details of delegations of responsibility and authority. All delegation approvals provided by Chief Executives of area health services and Royal Alexandra Hospital for Children are to be retained on file. All delegation approvals provided in other public health organisations are to be recorded in the Board meeting minutes. A separate file is to be maintained for approvals.
- 7.12 The Chief Executive of a public health organisation shall ensure that the Manual of Delegations is kept up-to-date and that each delegate is adequately informed of the respective delegation.
- 7.13 Expenditure for the purchase of land or buildings or the erection of new buildings shall not be incurred without the prior written approval of the Department.

Overseas Travel

- 7.14 Expenditure from the General Fund relevant to visits overseas by staff or a member of the Board of a public health organisation shall not be incurred without the prior written approval of the Minister through the Director-General. Expenditure from the General Fund may be approved by the Chief Executive of a public health organisation where a staff/senior staff specialist travels overseas for training ,education or study leave (TESL) purposes in accordance with the Determination.

Where expenditure is from a Special Purposes Fund, overseas travel can be approved by Chief Executive of public health organisations.

Where no funds are sought, only leave for official travel, approval is required by either the Director-General, Deputy Directors-General, Director, Employee Relations and Legal & Legislative Services and Chief Executive of public health organisations.

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Where expenditure is via a sponsorship, approval of the Area Chief Executive or Department's Director, Employee Relations and Legal & Legislative Services is required and authorising officers should ensure that no conflict of interest exists.

Expenditure in this context shall include travelling and living expenses and registration fees. Official visits shall include conferences and seminars of professional bodies.

An applicant seeking approval for official overseas or domestic travel is to declare/disclose all private funding, whether provided before or after a claim is made on the public health organisation, which may affect any claim on the public health organisation for salaries and wages, leave, subsistence or travel costs.

C. PROCUREMENT POLICY

- 7.15 Goods and services other than those of a minor nature shall be obtained at the lowest possible price, consistent with quality, provided that:
- (a) items available under contracts arranged by the State Contracts Control Board, shall be obtained through those sources. The prior written approval of the Director-General shall be obtained prior to a departure from this policy. (See provisions in the Purchasing and Supply Manual for country hospitals purchasing items under \$1,500 from other than contractors.)
 - (b) items obtained from sources other than those mentioned in (a) above shall be obtained at the best possible prices and in accordance with the provisions in respect of "out of contract" items incorporated in the Purchasing and Supply Manual issued by the Department. Any exceptions to compliance with procedures as incorporated in the Manual require approval of the Department.
 - (c) nothing contained in (a) or (b) above shall preclude the acquisition of goods or services required urgently to meet a specific emergency from the nearest available source.
 - (d) non-current assets shall only be acquired by a public health organisation, irrespective of the source of funding involved, with the express approval of the Board (or delegate) or Chief Executive of an area health service/Royal Alexandra Hospital for Children (or delegate) who shall, in making the decision to purchase, take into account amongst other things, the effect on future operating costs and the availability of funding.

NOTE: For purposes of this clause purchases of a minor nature (e.g. petty cash purchases up to \$250) shall comprise items where smallness of quantity and differences in price do not justify purchase as in (a) and (b) above.

7.16 A public health organisation shall comply with the provisions of the Purchasing and Supply Manual (including those relating to the purchase, use and disposal of motor vehicles, Premier's Passenger Motor Vehicle Conditions) and the Government Purchasing Policy.

7.17 A public health organisation shall engage the services of a consultant on those terms and under those conditions as laid down in the Purchasing and Supply Manual.

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D. ORDERING GOODS, SERVICES AND OTHER ITEMS

- 7.18 Goods and services for a public health organisation shall be ordered on its official order form and correctly authorised by the Authorising Officer duly appointed by the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children and correctly recorded in the Commitments Register.

Orders for drugs of addiction specified under the *Poisons and Therapeutic Goods Act 1966*, and its regulations shall be authorised only by a person authorised in terms of that Act. In the case of a public health organisation this would be a pharmacist. Orders for drugs of addiction are to be countersigned by the Director of Pharmacy or his or her nominee who is a pharmacist. In a small organisation where no pharmacist is employed orders for drugs of addiction are to be countersigned by either the Director of Nursing or the Director of Medical Services. (Whoever is determined to have the responsibility by the hospital's CE.)

In computer generated order systems or where hard copy orders are not generated, e.g. EDI, appropriate controls are to be in operation to safeguard the integrity of all orders raised and that all orders are properly authorised.

In respect of periodic service payments, e.g. gas, electricity etc. where individual orders are not raised, a standing order or register of payments is to be maintained as a control against double payment.

- 7.19 A Chief Executive shall ensure that all order forms are properly controlled and safeguarded, available only to persons authorised to have access to them and used only for the purchase of goods and services for the public health organisation.

E. PREPARATION OF ACCOUNTS FOR PAYMENT**(a) CLAIMS FOR PAYMENT**

- 7.20 An Account payable in any Fund shall be so recorded that it is readily identifiable with an entry in the accounting records of a public health organisation.
- 7.21 The Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children shall delegate the checking and authorising functions for accounts payable to appropriate officers of the public health organisation.
- 7.22 As set out in detail in the Accounting Manual, a claim for payment shall be supported by appropriate documentation and checked by an appropriate checking officer who shall confirm in writing the correctness of the claim in respect of:
- (i) the performance of service;
 - (ii) the consistency in quality, quantity and price with the official order;
 - (iii) the calculations shown on the supplier's claim;
 - (iv) available discounts have been taken; and
 - (v) the claim is not a double payment.
- 7.23 An authorising officer shall not authorise an account for payment unless the expenditure has been approved by an officer authorised to commit or incur expenditure.
- 7.24 An authorising officer who is senior to the checking officer shall ensure that all prescribed checks have been made in respect of each account payable before it is authorised for payment.

7.25 Except where it is not possible in a small public health organisation, checking and authorising officers should be employees whose duties do not involve purchasing, certifying receipt of goods and services, the transmission of EFT's and the mailing of cheques in respect of accounts payable.

(b) SALARIES AND WAGES

7.26.1 Area health services, statutory health corporations and declared organisations, as payroll agents for the NSW Health Service, shall maintain appropriate records showing in respect of each employee of the NSW Health Service in the administrative division/s relating to their organisation:

- (i) the name of each person, date of appointment, classification, conditions of employment, tax file number, wage rate and any variations, together with the authority for each of these, and an adequately verified previous work record;
- (ii) earnings, any authorised deductions, and net payments in respect of each person;
- (iii) superannuation payments made on behalf of a person and any amounts recovered in respect of those payments.

7.26.2 Non-declared organisations are required to maintain the records specified in paragraph 7.26.1 (i), (ii) and (iii), in respect of each of their employees employed in recognised establishments or services.

7.27 Time sheets or other suitable records shall be maintained in respect of each employee and the requirements of the *Industrial Relations Act 1996 are to be complied with where applicable*.

7.28 Wages sheets for a manual payroll system or computer input documents for a computerised payroll system shall be compiled, checked and signed as correct by a responsible officer.

The Chief Executive or a delegate (not below the position of Chief Clerk) shall scrutinise the wages sheets for a manual system, or the payroll journal and the edit report for a computerised system, to ensure that payment is in order; and certify that these records are correct.

7.29 All wages sheets/computerised payroll journals shall be numbered, filed consecutively or otherwise appropriately identified, and so filed so that they are readily identifiable with the relevant entries in the accounting and wages records.

(c) LEAVE RECORDS

7.30 A public health organisation shall maintain an up-to-date record in respect of each employee showing annual, sick and other leave entitlements including amounts taken and the untaken balances.

F. AUTHORITY TO PAY ACCOUNTS

7.31 At end of each accounting cycle a public health organisation having an internal auditor shall prepare, for submission to the Finance Committee and the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children, a report in respect of the financial operations for that cycle as required by this Determination.

The Director of Finance (or equivalent) shall include with that report a schedule showing separate figures for:

- total payments for the General Fund;
- total payments for the Special Purposes Fund; and
- total payments for the Trust Fund

and shall provide a certificate on the schedule in the following terms:

“I certify that the payments on this schedule have been checked and are fully supported by vouchers and invoices which have been duly certified as to receipt of goods and rendition of services and as to prices, rates, computations and additions and the amounts as shown thereon have been authorised and correctly paid by the public health organisation.”

The Finance Committee may request the provision of the vouchers and invoices, or a sample of them, for review.

At each meeting of the Finance Committee the authorisation of the total payments on the schedule shall be confirmed by the Committee.

G. PAYMENT OF MONIES

7.32 A Chief Executive shall ensure that appropriate procedures apply in respect of the control and use of stationery, cheques and other facilities used for the payment of the funds of the public health organisation, including procedures as set out in the Accounting Manual.

7.33 Each payment drawn on the funds of a public health organisation shall be approved by two authorised signatories (who shall not be in a position below the level of a chief clerk, in compliance with the directions of an authority granted by the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children, only after the first signatory (who may be applying an authorised impression of a signature in the case of a cheque) has established:

- (i) that the amount of the payment agrees with the amount payable in accordance with its supporting documentation; and
- (ii) that it is properly drawn in all respects to the payee nominated on the payment; and
- (iii) that the payment number is adequately recorded on the supporting documentation or can be readily obtained in respect of each invoice paid by accessing the processing system of the public health organisation.

In the event that an authorised signatory is not available, the Chief Executive shall arrange authority for other members of staff to approve a payment in lieu of the usual authorised signatory. A public health organisation shall ensure that payments once drawn are directly despatched to the “payee”.

- 7.34 A public health organisation shall ensure that cheques are despatched to payees independently of officers involved in preparation and processing of accounts for payment. In small public health organisations where this is not practicable, appropriate controls based on a maximum segregation of duties should be applied.
- 7.35 A public health organisation shall obtain an acquittance for any disbursement made other than by a “not negotiable” cheque and the acquittance shall be retained for audit purposes for at least six years after the date of payment.
- 7.36 Chief Executives have the discretion in determining a petty cash limit of up to a maximum of \$250 for any one (1) purchase. All other payments other than approved electronic funds transfers shall be made by cheque.
- 7.37 A public health organisation shall arrange that its supplies of cheque forms are printed with the crossing “not negotiable”.

H. RECEIPTING AND BANKING OF MONIES

- 7.38 A Chief Executive shall ensure that appropriate procedures apply in respect of the control over receipting and banking of all monies received by the public health organisation in compliance with the procedures laid down in Section 9 of this Determination.

A Chief Executive shall ensure that the Department’s “Revenue Policy” as incorporated in the Accounting Manual is complied with.

I. MANAGED FUND (INSURANCE - ARRANGEMENTS)

- 7.39 The Department of Health operates under Treasury direction a managed fund approach to all insurance policies for the NSW public hospital system. Such policies cover:
- (i) Cash in Transit;
 - (ii) Fidelity Guarantee (in respect of all employees);
 - (iii) Fire and Other Perils (in respect of hospital buildings and contents);
 - (iv) Personal Accident (in respect of hospital board directors);
 - (v) Personal Accident (in respect of voluntary workers);
 - (vi) Public Liability;
 - (vii) Workers’ Compensation.
 - (viii) Motor Vehicles (comprehensive)
- 7.40 Public health organisations shall:
- (i) comply with directions issued by the Department of Health from time to time concerning the operation of the managed fund including requirements in respect of:
 - the insured component
 - the managed fund component

- (ii) ensure sound risk management policies are adopted.
- (iii) comply with requests issued by the Fund Manager including the use of on-line computer processing requirements on claims processing.

NOTE: Insurance manuals issued by the Fund Manager are to be read in conjunction with clauses 7.39 and 7.40.

8. PATIENTS' FEES

8.1 A public health organisation shall provide:

- (a) free admitted patient treatment and accommodation and free non-admitted patient treatment as required by the Commonwealth Government for eligible persons and their dependants, provided that an election is not made by such admitted patient for treatment by a medical practitioner other than a practitioner nominated by the public health organisation; and
- (b) free admitted patient treatment and accommodation and free non-admitted patient treatment as determined by the New South Wales Government and as directed by the Minister for Health.

8.2 A public health organisation shall maintain, in respect of:

- (a) each chargeable admitted patient: a form of election, an admission and an accounting record in appropriate form, showing all necessary details including the patient's classification and period of stay in hospital. Admission, classification procedures and charging of fees shall be in accordance with directions and manuals issued by the Department.
- (b) each registered non-admitted patient: records in appropriate form of occasions of service and fees charged, if applicable. Procedures concerning counting of occasions of service and charging of fees shall be in accordance with directions and procedures set out in manuals issued by the Department.

8.3 For each chargeable admitted patient, an account for fees shall be issued showing all fees payable to the hospital. The account shall be issued:

- (i) on the day of separation, or if this is not practicable, no later than seven days after the date of separation in respect of admitted patients; and
- (ii) on the day of providing a chargeable service or if this is not practicable, no later than seven days after the date of service, in respect of non-admitted patients.

8.4 A separate subsidiary ledger shall be kept for:

- (i) each admitted patient classification as may be charged;
- (ii) each non-admitted patient classification as may be charged

to provide for accounting disclosure and reporting requirements as specified by the Department.

A control account shall be maintained in respect of each subsidiary ledger. Each control account shall be balanced with the accounts in the corresponding subsidiary ledger at the end of each accounting period.

- 8.5 The Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children shall ensure that appropriate follow-up action is taken with regard to all unpaid accounts, including legal action where appropriate.
- 8.6 Patients' fees charged shall not be postponed, remitted, reduced or written off as irrecoverable without the approval of the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children, provided that the board or Chief Executive of an area health service/Royal Alexandra Hospital for Children may delegate authority to remit, postpone, reduce or write off a patient's account to other employees of the public health organisation.

Any such delegations are to be included in Board meeting minutes or in respect to area health services and Royal Alexandra Hospital for Children held on a separate delegations file.

Particulars shall be reported to the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children at the end of each accounting cycle on a schedule showing the number of accounts and the total of the fees remitted, reduced or written off.

The Chief Executive etc. shall ensure that an adequate audit trail is maintained to link the write off approval to each debtor's account.

9. RECEIPTING AND BANKING OF MONIES

- 9.1 A public health organisation shall issue a receipt for all monies received, provided that receipts need not be issued for monies credited directly to an account of a financial institution with which the public health organisation banks its monies, providing appropriate entries are recorded in its cash records. In computer generated receipt systems controls are to be in place to safeguard the integrity of all receipts issued. The Chief Executive is to ensure that all cash receiving locations in the public health organisation are identified and that appropriate internal controls for receiving and securing money are in operation at each of those locations.
- 9.2 The receipt shall be given to the payer unless the payer advises that no receipt is required as another form of acquittance applies in respect of that payment. In this case, the receipt shall be retained in the receipt book or attached to the documents which accompanied the payment when it was received.
- 9.3 The receipt shall indicate the form in which money is received (by cash, cheque, EFT, credit card, money order etc.) and shall identify the debtor for whom payment is made where another person makes payment on behalf of a debtor.
- 9.4 Spoiled receipts should be cancelled and retained in the receipt book.
- 9.5 If a replacement receipt is requested after a receipt has been lost, the replacement shall not be issued from the official receipt book. An official letter shall be issued by the Chief Executive or delegate, identifying the original receipt and indicating that the letter is issued in its place.
- 9.6 All mail received by a public health organisation shall be opened in the presence of two officers other than the cashier(s). Postal remittances other than cash shall be crossed with the words "not negotiable".
- 9.7 Each mail remittance shall be entered in a remittance register and the records shall be initialled by the officers involved, provided that a public health organisation having an adjusted daily average of 120 or more may dispense with the requirement to maintain a mail remittance register with the prior written approval of the respective Chief Executive of the public health organisation (whichever is appropriate), if the public health organisation can demonstrate that effective internal control operates in respect of mail remittances.
- 9.8 The remittance register and all remittances shall then be handed to the cashier who shall issue a receipt for each remittance, record the relevant receipt number against each entry in the register and agree the total amount receipted with the total of remittances in the register and certify the receipting of all remittances, in the register.
- 9.9 A senior officer shall confirm the correctness of this certification.
- 9.10 If it is not possible to carry out some of the functions described above in respect of mail remittances, because there are insufficient staff to permit such a segregation of duties, the Chief Executive shall ensure that appropriate receipting and banking procedures are followed and that appropriate random checks are undertaken to ensure that those procedures have been followed.

- 9.11 At the close of business each day, all monies received shall be balanced and agreed with the total of all receipts issued on that day.
- 9.12 All monies received shall be deposited to the credit of appropriate banking accounts as authorised by the Board or Chief Executive of an area health service/Royal Alexandra Hospital for Children daily, at least once each week or before the end of the accounting period (whichever is the lesser) where the total received is less than \$1,000. In those locations with no banking facilities within a practicable distance the approval of the area health service Chief Executive should be obtained to vary the frequency of banking. Prior to granting approval the Chief Executive should ensure that the location has a secure area in which to hold funds for the period approved and that safety/security procedures are adequate.
- 9.13 Monies shall be banked in the form in which they were received unless express approval of the Chief Executive has been given in an exceptional case for an alternative procedure. An appropriate note shall be made in the receipt or banking records to note this approval.

PATIENTS' VALUABLES

- 9.14 A public health organisation shall, upon request, provide safe custody for the money or valuables of a patient in the following way:
- (a) the patient shall be given a receipt for the goods;
 - (b) particulars of the goods shall be entered in an appropriate register;
 - (c) the patient or a related person shall record an acknowledgement of receipt of any goods when returned and the circumstances in which the goods were returned if not to the patient in person.

10. EXTERNAL AUDIT

- 10.1 The affairs and operations of a public health organisation as disclosed in its accounts and associated financial and other records shall be audited in respect of each financial year.

Auditor: Area Health Services

- 10.2 The Auditor-General has authority for external audit of all Health Services controlled by the Department under Section 45A(1A) of the *Public Finance and Audit Act 1983*.

All area health services have been prescribed under section 44(1) of the *Public Finance and Audit Act 1983* as statutory authorities for the purpose of audit by the Auditor-General.

Auditor: Other Public health organisations

- 10.3 A public health organisation which is deemed to not come under the control of an area health service, shall appoint an auditor within the first three months of each financial year and such appointment shall apply in respect of the audit for that financial year. If the public health organisation fails to appoint an auditor within the prescribed time, an auditor may be appointed by the Director-General.

No person or firm shall be appointed to act as external auditor unless that person, or a principal of the firm, is a Registered Company Auditor under the provisions of the Corporations Law.

Auditor's Duties

- 10.4 The Auditor's terms of appointment shall specify that the Auditor shall provide the Auditing Services and carry out the Auditing Services with all reasonable skill and care.

The Auditor has discretion as to the manner in which the Auditing Services are to be performed but shall have regard to the auditing standards and practices issued jointly from time to time by the Institute of Chartered Accountants in Australia and CPA Australia and the Financial Reporting Council.

The Auditor shall comply with any auditing standards or directions which may be specified for the Auditing Services by the Department of Health provided such standards and directions of the Department of Health are not lower than the standards and practices of the Institute of Chartered Accountants in Australia and CPA Australia and the Financial Reporting Council.

- 10.5 A public health organisation not controlled by an area health service shall invite applications for the position of auditor by open tender, except where it is proposed that the retiring auditor be reappointed.
- 10.6 If an extraordinary vacancy occurs after the appointment of an auditor, the Board of a public health organisation **not** coming under the control of the Department of Health shall within one month of the occurrence of this vacancy, take action to appoint an auditor by open tender as soon as possible to carry out the audit of the accounts for the year for which the retiring auditor was appointed.

- 10.7 An appointed auditor of a public health organisation **not** under the control of the Department may reasonably expect reappointment, provided the auditor indicates a willingness to accept reappointment in writing within the prescribed time. However, reappointment may be refused if in the opinion of the Board there are sufficient grounds to advertise for a replacement provided that such action has been approved by the Director-General.
- 10.8 A public health organisation which is **not** controlled by the Department, shall fix the remuneration of the auditor in accordance with the tender price. In exceptional circumstances remuneration may be fixed by the Director-General.
- 10.9.1 Agents of Auditor General.
In no circumstances shall the Agent of the Auditor General or members of staff of the Agent's firm engage in the provision of other services of any nature, directly or indirectly, to a public health organisation client either during the period of appointment or for a further period of twelve calendar months immediately following completion or termination of the engagement without the prior approval of the Auditor General. The Auditor General reserves the right to approve or deny approval upon such matters, taking into account issues of Parliament expectation of the external auditor, audit independence and conflict of interest. If the Auditor General approves of such other services the fee shall be negotiated prior to commencement of such work and the public health organisation shall ensure that the fee for such work is recorded separately from the audit fee.
- 10.9.2 Public Health Organisations not under the control of an area health service.
In no circumstances shall the auditor's firm or members of staff of the auditor's firm engage in the provision of other services of any nature, directly or indirectly, to the public health organisation client either during the period of appointment or for a further period of twelve calendar months immediately following completion or termination of this engagement, without the prior approval of the Director-General. The Director-General reserves the right to approve or deny approval upon such matters, taking into account issues of audit independence and conflict of interest. If the Director-General approves of such other services the fee shall be negotiated prior to commencement of such work and the public health organisation shall ensure that the fee for such work is recorded separately from the audit fee.
- 10.10 A public health organisation **not** controlled the Department may specify a continuous or a periodical audit provided that the auditor is required to attend to the audit at least twice during each financial year and the interval between those two attendances is not less than six months.
- 10.11 For the purposes of audit, the auditor shall have the right of access at all times to the accounting and other records of the public health organisation and shall be entitled to obtain from its officers any information and explanations required concerning any matter related to the audit.

ANNUAL REPORT

- 10.12 In regard to the Annual Report of a public health organisation, the auditor shall supply for inclusion in the Annual Report, a certified audit report on the financial statements and information required in an Annual Report by this Determination and the Accounting Manual.

- 10.13 The auditor shall give the audit report to the chairperson of the Board of the public health organisation or Chief Executive of an area health service/Royal Alexandra Hospital for Children, and a copy of the audit report to the Chief Executive Officer.

The Chief Executive shall ensure that a copy of the audit report issued by the auditor is submitted to the next meeting of the Board of the public health organisation (non area health service/Royal Alexandra Hospital for Children) following receipt of the audit report.

11. AUDIT COMMITTEE**Public Health Organisations other than area health services and Royal Alexandra Hospital for Children**

- 11.1 A public health organisation shall constitute an Audit Committee as a standing committee of the Board of Directors. The Audit Committee shall comprise at least three (3) members of the Board of Directors and the Committee shall meet to perform its functions at least quarterly.
- 11.2 Each Board is to ensure that:
1. Chairpersons of Audit Committees are to be Board Directors but not Chief Executive Officers or employees of the entity.
 2. The Chairperson of the Audit Committee is not to be the Chairperson of the Finance Committee (or a similar Committee).
 3. The Audit Committee is to either be the full Board or a separate Sub-Committee of the Board provided clauses 11.2.1, 11.2.2 and 11.2.4 are observed concerning chairpersons and the roles of employees.
 4. Area Chief Executive Officers or employees of the entity may be invited to attend Audit Committee Meetings (at Chairpersons' discretion) but must not be allowed to move resolutions, second resolutions or vote on any issue.
 5. Internal Audit functions are to have direct access to the Audit Committee but operationally, will continue to report to the Chief Executive Officer.

Area Health Services and Royal Alexandra Hospital for Children

- 11.3 Each area health service and the Royal Alexandra Hospital for Children shall constitute an Audit Committee as a standing committee of the organisation. The Audit Committee shall comprise at least 3 members and shall meet at least quarterly. No member of the Committee, other than the Chief Executive, is to be an employee of the organisation. The Chief Executive is not to be the Chairperson of the committee, that position is to be held by an independent.
- 11.4 The Chief Executive is to ensure that:
1. At least one member of the Committee is an independent person with extensive experience in financial or auditing operations, preferably both. Other independent members of the Committee are to have experience in areas such as risk management and governance so that value is added and a high level of assurance is provided to the Chief Executive on the satisfactory performance of the audit function in the organisation;
 2. Employees of the entity may be invited to attend Audit Committee meetings (at Chairperson's discretion) but must not be allowed to move resolutions, second resolutions or vote on any issue.