



Audit Committee Meeting

25 November 2015



local councils working together to protect the health of the community



**EASTERN HEALTH AUTHORITY
AUDIT COMMITTEE MEETING**

WEDNESDAY 25 November 2015

Notice is hereby given that a meeting of the Audit Committee of Eastern Health Authority will be held at EHA's offices at **101 Payneham Road, St Peters** on Wednesday 25 November 2015 commencing at 5.30 pm.

A light meal will be served at 5.00pm.

**MICHAEL LIVORI
CHIEF EXECUTIVE OFFICER**



AGENDA

EASTERN HEALTH AUTHORITY AUDIT COMMITTEE MEETING

WEDNESDAY 25 November 2015

Commencing at 5.30 pm

- 1 Opening
- 2 Apologies
- 3 Presiding Member's Remarks
- 4 Confirmation of Minutes – 12 August 2015
- 5 Reports
 - 5.1 Finance Report and First (September 2015) Budget Review for 2015/2016 ..
..... 1
Attachment 1.....5
Attachment 2.....8
 - 5.2 External Audit Management Letter for the Year Ended 30 June 2015..... 12
Attachment 1..... 14
 - 5.3 Debt Collection Policy 16
Attachment 1.....17
Attachment 2.....21
 - 5.4 Procurement Policy.....24
Attachment 1.....25
Attachment 2.....34
 - 5.5 Fraud and Corruption Policy41
Attachment 1.....42
- 6 Closure of meeting

5.1 FINANCE REPORT AND FIRST (SEPTEMBER 2015) BUDGET REVIEW FOR 2015/2016

Author: Michael Livori
Ref: AF15/10 & AF11/258

Summary

So that the Board of Management can ensure that Eastern Health Authority (EHA) is operating according to its adopted budget, financial performance is regularly monitored and statutory budget reviews are considered.

The first of the statutory budget reviews which relates to the financial performance of EHA between 1 July 2015 and 30 September 2015 was considered by the Board of Management at its meeting held on 28 October 2015.

Report

The report below gives a simple analysis of year to date income, expenditure and operating result.

Eastern Health Authority - Financial Statement (Level 1)				
1 July 2015 to 30 September 2015				
	Actual	Budgeted	\$ Variation	% Variation
Total Income	\$ 914,906	\$ 928,039	\$ (13,133)	-1%
Total Expenditure	\$ 593,099	\$ 592,144	\$ 954	0%
Operating Result	\$ 321,807	\$ 335,895	\$ (14,087)	-4%

The report shows that for the reporting period income was \$13,133 (-1.0%) less than budgeted and expenditure was \$954 (0.2%) more than budgeted.

The net result is a variation of -4% (\$14,087) on the budgeted year to date comparative operating result.

A more detailed report is provided as attachment 1. The report provides detail on year to date performance of individual budget lines. Any variation greater than \$5,000 is detailed in the table below with explanatory comments.

Summary Table of Funding Statement Variations				
Favourable variances are shown in black and unfavourable variances are shown in red .				
Description	YTD Budget	YTD Actual	Variation	Comment
Income				
Fines and Expiations	\$22,500	\$8,182	\$14,318	Decrease in expiations issued. No variation requested at this point in time.
Expenditure				
Salaries and Wages	\$339,004	\$301,421	(\$37,583)	Delay in appointment of staff to budgeted positions. -30K variation requested.
Maintenance	\$6,125	\$30,405	\$24,280	Cost associated with resolving IT issues as reported to BOM 26 August 2015. Variation to be requested when project finalised.
IT Support	\$7,500	\$27,595	\$20,095	As above

The only operating budget variation requested in relation to the above table is a reduction in \$30,000 for salaries in wages. This variation is a result of a delay in appointment of staff to budgeted positions.

The timing and value of fines and expiations issued can vary significantly. A variation will be requested later in the year if required.

The variations required in relation to the ICT environment will be requested when costs and recovery negotiations are completed (a report in relation to the ICT environment detailing this expenditure was considered at the 26 August 2015 Board of Management meeting).

An additional variation was requested for WHS work budgeted in 2014/2015 (\$30,000) but not commenced. The project was approved by the Board at the 29 April 2015 meeting. The expenditure will be offset by the reduction in employment costs.

The first review for the financial year is also required to take into account any differences between the adopted financial statements for 2015/2016 and the audited financial statements for the previous year.

The combined variations resulting from the changes to operating budget lines and use of the audited financial statements for 2014/2015 were incorporated into a revised financial statement for 2015/2016 and endorsed by the Board of Management at its October meeting.

The variations do not alter the estimated budget result of a deficit of \$24,917. A summary of the variations requested within the Financial Statements are provided in the table below.

Revised Statement of Comprehensive Income				
	Adopted Budget	Variation	Revised Budget	Comment
Expenses				
Employee Costs	1,616,000	(30,000)	1,586,000	See comments in body of report
Material, contracts and other expenses	576,200	30,000	606,200	See comments in body of report
Revised Statement of Cash Flows				
	Adopted Budget	Variation	Revised Budget	Comment
Net Increase (Decrease) In Cash Held				
Cash and Cash Equivalents at Beginning of Reporting period	759,815	30,156	789,971	Audited Statements
Cash and Cash Equivalents at End of Reporting period	759,815	30,156	789,971	
Revised Statement of Financial Position				
	Adopted Budget	Variation	Revised Budget	Comment
Current Assets				
Cash and Cash Equivalents	559,815	30,156	719,815	Audited Statements
Trade and other Receivables	178,512	(16,240)	162,272	Audited statements
Total Current Assets	738,327	13,916	752,243	
Current Liabilities				
Trade and other Payables	181,322	(72,614)	108,708	Audited statements
Provisions	251,094	(14,874)	236,220	Audited statements
Total Current Liabilities	483,336	(87,488)	395,848	
Net Current Assets(Current Liabilities)	254,991	101,404	356,395	

Revised Statement of Financial Position				
Non-Current Assets				
Equipment	363,098	(2,854)	360,244	Audited statements
Total Non-Current Assets	363,098	(2,854)	360,244	
Non-Current Liabilities				
Provisions	43,218	(1,556)	41,662	Audited statements
Total Non-Current Liabilities	427,497	(1,556)	425,941	
Net Assets	190,592	100,106	290,698	
Equity				
Accumulated Surplus/(Deficit)	190,592	100,107	290,699	Audited statements
Total Equity	190,592	100,107	290,699	
Revised Statement of Change in Equity				
	Adopted Budget	Variation	Revised Budget	Comment
Accumulated Surplus				
Balance at Beginning of Period	415,509	100,107	515,616	Audited statements
Balance at End of Period	190,592	100,107	290,699	
Total Equity	190,592	100,107	290,699	

Included as Attachment 2 is a copy of the revised 2015/2016 Budgeted Statutory Financial Statements which include the:

- Revised Statement of Comprehensive Income
- Revised Statement of Cash flows
- Revised Statement of Financial Position
- Revised Statement of Changes in Equity

Pursuant to clause 25 (3) of Schedule 2 of the Local Government Act, EHA has now sought approval from its Constituent Councils to amend its budget.

If the Constituent Councils grant approval then EHA may officially resolve to amend the budget and upon making that resolution, the amended budget will be effective.

RECOMMENDATION

That:

1. The September 2015 Budget Review Report be received.

Eastern Health Authority - Financial Statement (Level 3)				
1 July 2015 to 30 September 2015				
Income	Actual	Budgeted	\$ Variation	% Variation
Constituent Council Income				
City of Burnside	\$207,519	\$207,519	\$0	0%
City of Campbelltown	\$194,920	\$194,920	\$0	0%
City of NPSP	\$245,323	\$245,323	\$0	0%
City of Prospect	\$109,811	\$109,811	\$0	0%
Town of Walkerville	\$47,081	\$47,081	\$0	0%
Total Constituent Council Contributions	\$ 804,653	\$ 804,653	\$ -	0%
Statutory Charges				
Food Inspection fees	\$15,996	\$20,000	(-\$4,004)	-20%
SRF Licenses	(\$594)	\$0	(-\$594)	0%
Fines	\$8,182	\$22,500	(-\$14,318)	-64%
Total Statutory Charges	\$ 23,584	\$ 42,500	\$ (18,916)	-45%
User Charges				
Immunisation - non funded vaccines	\$10,322	\$11,250	(-\$928)	-8%
Immunisation - Worksites	\$1,875	\$0	\$1,875	0%
Food Auditing	\$19,786	\$15,000	\$4,786	32%
City of Unley	\$21,069	\$22,500	(-\$1,431)	-6%
Food Safety Training	\$0	\$500	(-\$500)	-100%
Total User Charges	\$ 53,051	\$ 49,250	\$ 3,801	8%
Grants, Subsidies, Contributions				
Child Immunisation register	\$24,840	\$23,136	\$1,704	7%
Total Grants, Subsidies, Contributions	\$ 24,840	\$ 23,136	\$ 1,704	7%
Investment Income				
Interest on investments	\$3,159	\$5,000	(-\$1,841)	-37%
Total Investment Income	\$ 3,159	\$ 5,000	\$ (1,841)	-37%
Other Income				
Motor Vehicle re-imbursments	\$1,650	\$2,000	(-\$350)	-18%
Sundry Income	\$3,969	\$1,500	\$2,469	165%
Total Other Income	\$ 5,619	\$ 3,500	\$ 2,119	61%
Total of non Constituent Council Income	\$ 110,253	\$ 123,386	\$ (13,133)	-11%
Total Income	\$ 914,906	\$ 928,039	\$ (13,133)	-1%

Eastern Health Authority - Financial Statement (Level 3)				
1 July 2015 to 30 September 2015				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
Employee Costs				
Salaries & Wages	\$301,421	\$339,004	\$ (37,583)	-11%
Superannuation	\$25,315	\$29,500	\$ (4,185)	-14%
Workers Compensation	\$15,000	\$15,000	\$ -	0%
Total Employee Costs	\$ 341,736	\$ 383,504	\$ (41,768)	-11%
Prescribed Expenses				
Auditing and Accounting	\$12,300	\$12,000	\$ 300	3%
Insurance	\$26,006	\$26,000	\$ 6	0%
Maintenance	\$30,405	\$6,125	\$ 24,280	396%
Vehicle Leasing/maintenance	\$15,521	\$17,250	\$ (1,729)	-10%
Total Prescribed Expenses	\$ 84,232	\$ 61,375	\$ 22,857	389%
Rent and Plant Leasing				
Electricity	\$1,988	\$2,500	\$ (512)	-20%
Plant Leasing Photocopier	\$1,551	\$1,425	\$ 126	9%
Rent	\$24,864	\$25,250	\$ (386)	-2%
Water	\$70	\$0	\$ 70	0%
Gas	\$0	\$625	\$ (625)	-100%
Total Rent and Plant Leasing	\$ 28,473	\$ 29,800	\$ (1,327)	-4%
IT Licensing and Support				
IT Licences	\$6,893	\$3,750	\$ 3,143	84%
IT Support	\$27,595	\$7,500	\$ 20,095	268%
Internet	\$363	\$500	\$ (137)	-27%
IT Other	\$109	\$500	\$ (391)	-78%
Total IT Licensing and Support	\$ 34,961	\$ 12,250	\$ 22,711	185%
Administration				
Administration Sundry	\$715	\$1,750	\$ (1,035)	-59%
Accreditation Fees	\$3,329	\$1,000	\$ 2,329	233%
Board of Management	\$6,993	\$6,667	\$ 327	5%
Bank Charges	\$1,120	\$750	\$ 370	49%
Public Health Sundry	\$1,127	\$1,250	\$ (123)	-10%
Fringe Benefits Tax	\$3,750	\$3,750	\$ -	0%
Health promotion	\$2,766	\$1,250	\$ 1,516	121%
Legal	\$7,000	\$5,000	\$ 2,000	40%
Printing & Stationery & Postage	\$2,745	\$7,500	\$ (4,755)	-63%
Telephone	\$4,714	\$3,750	\$ 964	26%
Work Health Safety & Injury Management	\$203	\$500	\$ (297)	-59%
Rodenticide	\$551	\$500	\$ 51	10%
Staff Amenities	\$460	\$1,750	\$ (1,290)	-74%
Staff Training	\$6,786	\$5,500	\$ 1,286	23%
Human Resource Sundry	\$2,277	\$4,000	\$ (1,723)	-43%
Doubtful Debts Expense	\$1,584	\$0	\$ 1,584	0%
Total Administration	\$ 46,119	\$ 44,917	\$ 1,203	3%

Eastern Health Authority - Financial Statement (Level 3 cont.)				
1 July 2015 to 30 September 2015				
Expenditure	Actual	Budgeted	\$ Variation	% Variation
Immunisation				
Immunisation SBP Consumables	\$2,927	\$2,000	\$ 927	46%
Immunisation clinic vaccines	\$7,129	\$7,500	\$ (371)	-5%
Immunisation worksite vaccines	\$869	\$0	\$ 869	0%
Total Immunisation	\$ 10,926	\$ 9,500	\$ 1,426	15%
Uniforms/Income protection				
Income Protection	\$14,774	\$16,000	\$ (1,226)	-8%
Total Uniforms/Income protection	\$ 14,774	\$ 16,000	\$ (1,226)	-8%
Sampling				
Legionella Testing	\$0	\$3,000	\$ (3,000)	-100%
Food Sampling	\$0	\$250	\$ (250)	0%
Total Sampling	\$ -	\$ 3,250	\$ (3,250)	-100%
Total Materials, contracts and other expen	\$ 219,486	\$ 177,092	\$ 42,394	24%
Depreciation	\$ 20,213	\$ 20,213	\$ -	0%
Finance Costs	\$ 11,664	\$ 11,336	\$ 328	3%
Total Operating Expenditure	\$ 593,099	\$ 592,144	\$ 954	0%
Total Operating Income	\$ 914,906	\$ 928,039	\$ (13,133)	-1%
Operating Result	\$ 321,807	\$ 335,895	\$ (14,087)	-4%

EASTERN HEALTH AUTHORITY STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2014/2015		ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	REVISED BUDGET 2015/2016
\$	INCOME	\$		\$
1,576,605	Council Contributions	1,609,306	-	1,609,306
157,329	Statutory Charges	194,000	-	194,000
303,449	User Charges	307,000	-	307,000
117,983	Grants, subsidies and contributions	126,500	-	126,500
20,871	Investment Income	20,000	-	20,000
6,607	Other Income	14,000	-	14,000
2,182,844	TOTAL INCOME	2,270,806	-	2,270,806
	EXPENSES			
1,353,987	Employee Costs	1,616,000	(30,000)	1,586,000
608,512	Materials, contracts and other expenses	576,200	30,000	606,200
24,016	Finance Charges	22,672	-	22,672
83,705	Depreciation	80,851	-	80,851
2,070,220	TOTAL EXPENSES	2,295,723	-	2,295,723
112,624	Operating Surplus/(Deficit)	(24,917)	-	(24,917)
-	Net gain (loss) on disposal of assets	-		-
112,624	Net Surplus/(Deficit)	(24,917)	-	(24,917)

EASTERN HEALTH AUTHORITY STATEMENT OF CASH FLOWS FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2014/2015		ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	REVISED BUDGET 2015/2016
\$	CASHFLOWS FROM OPERATING ACTIVITIES	\$	\$	\$
	<u>Receipts</u>			
2,159,499	Operating Receipts	2,250,806	-	2,250,806
25,557	Investment Receipts	20,000	-	20,000
	<u>Payments</u>			
(2,036,294)	Operating Payments to Suppliers & Employees	(2,192,200)	-	(2,192,200)
(25,237)	Interest Expense	(22,672)	-	(22,672)
123,525	Net Cash Provided/(Used) by Operating Activities	55,934	-	55,934
	CASH FLOWS FROM FINANCING ACTIVITIES			
-	Loans Received	-	-	-
(53,369)	Loan Repayments	(55,934)	-	(55,934)
(53,369)	Net Cash Provided/(Used) by Financing Activities	(55,934)	-	(55,934)
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<u>Receipts</u>			
-	Sale of Replaced Assets	-	-	-
	<u>Payments</u>			
-	Expenditure on renewal / replacements of assets	-	-	-
-	Expenditure on new / upgraded assets	-	-	-
-	Distributions paid to constituent Councils	(200,000)	-	(200,000)
-	Net Cash Provided/(Used) by Investing Activities	(200,000)	-	(200,000)
70,156	NET INCREASE (DECREASE) IN CASH HELD	(200,000)	-	(200,000)
719,815	CASH AND CASH EQUIVALENTS AT BEGINNING OF REPORTING PERIOD	759,815	30,156	789,971
789,971	CASH AND CASH EQUIVALENTS AT END OF REPORTING PERIOD	559,815	30,156	589,971

EASTERN HEALTH AUTHORITY STATEMENT OF FINANCIAL POSITION				
FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2014/2015		ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	REVISED BUDGET 2015/2016
\$	CURRENT ASSETS	\$	\$	\$
789,971	Cash and Cash Equivalents	559,815	30,156	589,971
162,272	Trade & Other Receivables	178,512	(16,240)	162,272
-	Other	-	-	-
952,243	TOTAL CURRENT ASSETS	738,327	13,916	752,243
	CURRENT LIABILITIES			
108,708	Trade & Other Payables	181,322	(72,614)	108,708
236,220	Provisions	251,094	(14,874)	236,220
55,934	Borrowings	50,920	-	50,920
-	Other	-	-	-
400,862	TOTAL CURRENT LIABILITIES	483,336	(87,488)	395,848
551,381	NET CURRENT ASSETS/(CURRENT LIABILITIES)	254,991	101,404	356,395
	NON-CURRENT ASSETS			
441,095	Equipment	363,098	(2,854)	360,244
-	Other	-	-	-
441,095	TOTAL NON-CURRENT ASSETS	363,098	(2,854)	360,244
	NON-CURRENT LIABILITIES			
41,662	Provisions	43,218	(1,556)	41,662
435,198	Borrowings	384,279	-	384,279
476,860	TOTAL NON-CURRENT LIABILITIES	427,497	(1,556)	425,941
515,616	NET ASSETS	190,592	100,106	290,698
	EQUITY			
515,616	Accumulated Surplus/(Deficit)	190,592	100,107	290,699
515,616	TOTAL EQUITY	190,592	100,107	290,699

EASTERN HEALTH AUTHORITY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDING 30 JUNE 2016				
ACTUAL 2014/2015		ADOPTED BUDGET 2015/2016	SEPTEMBER REVIEW	REVISED BUDGET 2015/2016
\$	ACCUMULATED SURPLUS	\$	\$	\$
402,992	Balance at beginning of period	415,509	100,107	515,616
112,624	Net Surplus/(Deficit)	(24,917)	-	(24,917)
-	Distribution to Constituent Councils	(200,000)	-	(200,000)
515,616	Balance at end of period	190,592	100,107	290,699
515,616	TOTAL EQUITY	190,592	100,107	290,699

5.2 EXTERNAL AUDIT MANAGEMENT LETTER FOR THE YEAR ENDED 30 JUNE 2015

Author: Michael Livori
Ref: AF15/6

Summary

An External Audit Management letter relating to the financial year ending 30 June 2015 has been received from Eastern Health Authority's (EHA) external auditors Dean Newbery and Partners.

Report

The External Audit Management letter (copy of letter provided as attachment 1) details that the audit of EHA for the year ended 30 June 2015 has been completed and that an Audit Report has been issued without reference to any qualification.

The auditors also advise in the letter that they met with EHA's Audit Committee on 12 August 2015 and communicated all of their Audit findings to the Members present.

A summary of the key matters brought to the attention of the committee as a result of work completed is as follows:

- 1. There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to the EHA's Board or Audit Committee.*
- 2. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.*
- 3. All requested audit adjustment have been processed and disclosures within the financial report appropriately modified based on audit testing completed.*
- 4. All requested information has been provided by the Administration during the course of the audit.*
- 5. We note that throughout the 2014/2015 financial year the Authority experienced significant IT issues which caused difficulties for the Administration and we commend the Administration for the work done to overcome these issues and be able to provide all required audit information in a timely and acceptable manner. We further note that the proposed actions are to be taken to update the IT hardware and software currently in use to resolve these IT issues.*

In accordance with the Audit Committee Terms of Reference the External Audit Management letter should be considered by the Audit Committee and any recommendations contained within the letter should be monitored by the committee to ensure that they are appropriately considered and managed.

RECOMMENDATION

That:

The report regarding the External Audit Management Letter for the year ending 30 June 2015 is received.

10 September 2015

Cr Sue Whittington
Chairperson
Eastern Health Authority
PO Box 275
STEPNEY SA 5069

Dear Cr Whittington

RE: External Audit Management Letter – Financial Year Ended 30 June 2015

We have recently completed our external audit of the Eastern Health Authority (EHA) for the financial year ended 30 June 2015 and have issued an Audit Report without reference to any qualification.

This report has been prepared for EHA's Board in accordance with the requirements under Australian Auditing Standard (ASA) 260 *Communication with Those Charged with Governance* and ASA 265 *Communicating Deficiencies in Internal Controls to Those Charged with Governance and Management* as well as Section 129 of the *Local Government Act 1999*.

This summarises the significant matters that have arisen from our Balance Date audit of EHA for the financial year ended 30 June 2015.

We met with EHA's Audit Committee on Wednesday 12 August 2015 and communicated all of our audit findings to the Members present.

A summary of the key matters we wish to bring to your attention as a result of work completed is as follows:

1. There remain no misstatements that have not been adjusted by the Administration that have been identified during the course of our audit or that in our assessment, require to be reported to the EHA's Board or Audit Committee.
2. Any misstatements, either individually or in aggregate, that are considered to be immaterial, have not been reported and regarded as being minor in the context of the financial report as a whole.
3. All requested audit adjustment have been processed and disclosures within the financial report appropriately modified based on audit testing completed.
4. All requested information has been provided by the Administration during the course of the audit.
5. We note that throughout the 2014/15 financial year the Authority experienced significant IT issues which caused difficulties for the Administration and we commend the Administration for the work done to overcome these issues and be able to provide all required audit information in a timely and

acceptable manner. We further note the proposed actions that are to be taken to update the IT hardware and software currently in use to resolve these IT related issues.

Summary

I would like to extend my appreciation to the Administration for their cooperation and support provided to the audit team during the course of completing the audit.

Should you require any further information, please contact me on 8267 4777 or jimkeogh@deannewbery.com.au.

Yours sincerely

DEAN NEWBERY & PARTNERS



Jim Keogh
Partner

C. Authority's Chief Executive Officer
C. Authority's Audit Committee

5.3 DEBT COLLECTION POLICY

Author: Michael Livori
Ref: AF11/68

Summary

The Eastern Health Authority (EHA) Debt Collection Policy was originally adopted at a Board of Management meeting held on 19 February 2014. A review of the policy has been undertaken and a revised policy is provided for consideration.

Report

The Debt Collection Policy sets out a clear, equitable, accountable and transparent process that EHA will follow for its debt management and collection practices. The Policy assists in ensuring that all debts owed to EHA are received by the due date or followed up within specified timeframes.

The current policy has been reviewed and a number of changes are recommended as detailed below.

- Policy history updated
- Minor grammatical changes
- Minor change to Section 2 Scope
- Addition in Section 3 of definitions for Write Off
- Deletion at Section 6.4.3 of Write Off. As the journal entry to record a write off was varied by the Auditors to debit the Doubtful Debts expense and credit the Accounts Receivables Control account.

A copy of the current Debt Collection Policy with suggested changes to the policy detailed as tracked changes is provided as attachment 1.

A copy of a draft amended Debt Collection Policy with these changes accepted is provided as attachment 2.

RECOMMENDATION

That:

1. The report regarding the Debt Collection Policy is received.
2. The Debt Collection Policy marked attachment 2 to the report dated 25 November 2015 is endorsed and referred to the Board of Management for adoption.

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DEBT COLLECTION POLICY

Policy Reference	EHA POL-1:2014FM03
Date of <u>initial Board Adoption</u>	19 February 2014
Minutes Reference	9:022014
<u>Date of Audit Committee Endorsement (if applicable)</u> <u>Last Reviewed by EHA Date</u>	<u>25 November 2015</u> <u>N/A</u>
<u>Date last reviewed by Eastern Health Authority Board of Management</u> <u>Date of Audit Committee Endorsement (if applicable)</u> <u>Next Review Date</u>	<u>N/A</u>
Relevant Document Reference	Nil
<u>Applicable Legislation</u>	<u>S143 Local Government Act 1999</u>

1. Purpose

This Debt Collection Policy (Policy) sets out a clear, equitable, accountable and transparent process that Eastern Health Authority (EHA) will follow for its debt management and collection practices.

The Policy will also assist in ensuring that all debts owed to EHA are received by the due date or followed up within specified timeframes.

2. Scope

This policy applies to all EHA Staff in relation to the collection of outstanding debt

3. Definitions

- Credit – the purchase and/or provision of goods and services from EHA by a debtor on the basis of a commitment to pay at a future time.

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~~DEBT COLLECTION POLICY~~ Debt Collection Policy

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- Debt – the amount of money owed by the debtor as a result of a transaction with EHA. A debt is expected to be settled within the normal payment terms of trade.
- Debtor – an individual, organisation or other party that transacts with EHA where goods or services are provided, use of facilities are made available, fines and licence fees are levied and any other transaction that results in a future payment to EHA.
- A debtor is an asset for EHA, as it gives rise to an anticipated future benefit. The future benefits are cash inflows, which occur when the debt is paid.
- Invoice Date – the date which the invoice has been raised in the debtors system.
- Write Off – the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from EHA’s Balance Sheet.

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4. Principles

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Decisions relating to collection of outstanding debts will be considered in the context of:

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• **Accountability and Transparency**

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EHA’s practices and decisions will be made in accordance with the relevant legislation and accepted conventions. Staff will ensure that internal controls are applied when dealing with outstanding debts.

• **Fairness and Equity**

EHA will ensure that all credit and related debts are managed fairly and equitably.

This Policy confirms that parties who incur debts do so on the understanding that the prescribed repayment terms are met.

• **Responsibilities**

The team providing the goods and/or service to the debtor will be responsible for completing the documentation required for an invoice to be generated.

Administration will be responsible for raising the invoice and the recovery of any debts for all teams.

• **Risk Management**

Principles of risk management will underpin decisions made in relation to credit and related debt management. To reduce the risk of non-payment of debt, a structured collection and recovery process will be applied.

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5. Policy

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EHA staff will maintain procedures that support the administration of this Policy.

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DEBT COLLECTION POLICY Debt Collection Policy

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5.1 Credit Management

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~~5.1.1~~ Credit terms for all Sundry debtors are 30 days from the date of invoice.

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5.2 Debt Management

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5.2.1 If payment has not been received within 30 days of the invoice date a statement will be issued to the debtor advising of invoices still to be paid as a first reminder.

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5.2.2 If payment has not been received within 60 days of the invoice date, where possible telephone contact is made with the debtor requesting payment. Another statement is issued with an overdue stamp.

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5.2.3 If payment has not been received within 90 days of the invoice date, a letter is sent to the debtor advising that debt collection will commence if the invoice is not paid in full within seven (7) calendar days and all costs associated with this process will be added to the outstanding debt.

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5.2.4 If payment is not received within 97 days of the invoice date, the debtor's contact details are provided to EHA's debt collection agency, who will issue a demand letter requesting payment within seven (7) calendar days.

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5.2.5 If payment is not received within a further 14 days staff will liaise with the relevant debt collection agency as to how to proceed. This resulting action will be determined on a case by case basis taking in to consideration section 6.4 of this Policy.

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5.2.6 The Chief Executive Officer has the discretion to vary steps 5.2.1 to 5.2.6 subject to delegation limits.

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6. Provision for Doubtful Debts

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6.1 Where the recovery of debt is unlikely prior to completing all steps listed in 5.2 (i.e. where the debtor is bankrupt or in liquidation), a provision for doubtful debt shall be made.

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~~5.3.1~~

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6.2 Write off

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6.2.1.1 Section 143 of the Local Government Act 1999 will apply when determining if an outstanding debt should be written off.

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6.2.1.2 Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered.

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~~6.2.1.3 The writing off of a debt and any associated debt recovery or legal costs will be charged to the account where the invoice was originally raised.~~

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6.4.4 All debts up to the value of \$3,000 must be authorised by the CEO.

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~~DEBT COLLECTION POLICY~~ **Debt Collection Policy**

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~~7.46-42-5~~ Any debts greater than \$3,000 must be authorised by the Board of Management.

78. Review & Evaluation

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This Policy will be reviewed at least once every ~~reviewed every~~ two years. However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

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89. Statement of Adoption

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This Policy was adopted by the Board of the Eastern Health Authority on 19 February 2014.

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DEBT COLLECTION POLICY

Policy Reference	FM03
Date of initial Board Adoption	19 February 2014
Minutes Reference	9:022014
Date of Audit Committee Endorsement (if applicable)	25 November 2015
Date last reviewed by Eastern Health Authority Board of Management	N/A
<i>Relevant Document Reference</i>	Nil
Applicable Legislation	S143 Local Government Act 1999

1. Purpose

This Debt Collection Policy (Policy) sets out a clear, equitable, accountable and transparent process that Eastern Health Authority (EHA) will follow for its debt management and collection practices.

The Policy will also assist in ensuring that all debts owed to EHA are received by the due date or followed up within specified timeframes.

2. Scope

This policy applies to all EHA Staff in relation to the collection of outstanding debt

3. Definitions

Credit – the purchase and/or provision of goods and services from EHA by a debtor on the basis of a commitment to pay at a future time.

Debt – the amount of money owed by the debtor as a result of a transaction with EHA. A debt is expected to be settled within the normal payment terms of trade.

Debtor – an individual, organisation or other party that transacts with EHA where goods or services are provided, use of facilities are made available, fines and licence fees are levied and any other transaction that results in a future payment to EHA.

A debtor is an asset for EHA, as it gives rise to an anticipated future benefit. The future benefits are cash inflows, which occur when the debt is paid.

Invoice Date – the date which the invoice has been raised in the debtors system.

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Write Off – the accounting procedure for cancelling a debt that is no longer collectable resulting in its removal from EHA's Balance Sheet.

4. Principles

Decisions relating to collection of outstanding debts will be considered in the context of:

- **Accountability and Transparency**

EHA's practices and decisions will be made in accordance with the relevant legislation and accepted conventions. Staff will ensure that internal controls are applied when dealing with outstanding debts.

- **Fairness and Equity**

EHA will ensure that all credit and related debts are managed fairly and equitably.

This Policy confirms that parties who incur debts do so on the understanding that the prescribed repayment terms are met.

- **Responsibilities**

The team providing the goods and/or service to the debtor will be responsible for completing the documentation required for an invoice to be generated.

Administration will be responsible for raising the invoice and the recovery of any debts for all teams.

- **Risk Management**

Principles of risk management will underpin decisions made in relation to credit and related debt management. To reduce the risk of non-payment of debt, a structured collection and recovery process will be applied.

5. Policy

EHA staff will maintain procedures that support the administration of this Policy.

5.1 Credit Management

Credit terms for all Sundry debtors are 30 days from the date of invoice.

5.2 Debt Management

5.2.1 If payment has not been received within 30 days of the invoice date a statement will be issued to the debtor advising of invoices still to be paid as a first reminder.

5.2.2 If payment has not been received within 60 days of the invoice date, where possible telephone contact is made with the debtor requesting payment. Another statement is issued with an overdue stamp.

- 5.2.3 If payment has not been received within 90 days of the invoice date, a letter is sent to the debtor advising that debt collection will commence if the invoice is not paid in full within seven (7) calendar days and all costs associated with this process will be added to the outstanding debt.
- 5.2.4 If payment is not received within 97 days of the invoice date, the debtor's contact details are provided to EHA's debt collection agency, who will issue a demand letter requesting payment within seven (7) calendar days.
- 5.2.5 If payment is not received within a further 14 days staff will liaise with the relevant debt collection agency as to how to proceed. This resulting action will be determined on a case by case basis taking in to consideration section 6.4 of this Policy.
- 5.2.6 The Chief Executive Officer has the discretion to vary steps in 5.2 subject to delegation limits.

6. Provision for Doubtful Debts

Where the recovery of debt is unlikely prior to completing all steps listed in 5.2 (i.e. where the debtor is bankrupt or in liquidation), a provision for doubtful debt shall be made.

7. Write off

- 7.1 Section 143 of the Local Government Act 1999 will apply when determining if an outstanding debt should be written off.
- 7.2 Debts will only be written off when all reasonable attempts to recover outstanding amounts have been made or the costs of recovery are likely to equal or exceed the amount to be recovered.
- 7.3 All debts up to the value of \$3,000 must be authorised by the CEO.
- 7.4 Any debts greater than \$3,000 must be authorised by the Board of Management.

8. Review & Evaluation

This Policy will be reviewed at least once every two years. However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

9. Statement of Adoption

This Policy was adopted by the Board of the Eastern Health Authority on 19 February 2014.

5.4 PROCUREMENT POLICY

Author: Michael Livori
Ref: AF11/68

Summary

The Eastern Health Authority (EHA) Procurement Policy, originally adopted by the Board of Management on 22 June 2011 was last reviewed on 19 February 2014. A review of the policy has been undertaken and a revised policy is provided for consideration.

Report

The EHA Procurement Policy is based on the Local Government Association Procurement Guide which provides guidance to Local Government in applying a consistent approach to their various procurement activities.

The policy applies to the procurement of all goods, equipment and related services, construction contracts and service contracts. The purpose of the policy is to ensure the process of procuring goods and services acquired by EHA promotes accountability, results in best value and effectively manages risks.

The current policy has been reviewed and a number of changes are recommended as detailed below.

- Policy history updated
- Minor grammatical changes
- Title Changed to Procurement Policy
- *Section 5 Selection of an Appropriate Procurement Policy* has been updated. This revised section is modelled on Campbelltown City Council Procurement policy and has been amended to suit EHA
- *Section 7.1 Emergency Procurement* has been added to the policy to enable procurement to take place during emergency situations
- *Section 8 Delegations* has been amended to reflect new job titles for senior staff

A copy of the current Procurement Policy with suggested changes to the policy detailed as tracked changes is provided as attachment 1.

A copy of a draft amended Procurement Policy with these changes accepted is provided as attachment 2.

RECOMMENDATION

That:

1. The report regarding the Procurement Policy is received.
2. The Procurement Policy marked attachment 2 to the report dated 25 November 2015 is endorsed and referred to the Board of Management for adoption.

PROCUREMENT POLICY**1**

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POLICY FOR THE PROCUREMENT POLICY OF GOODS AND SERVICES

Policy Reference	FM02
Date of initial Board Adoption	22 June 2011
Minutes Reference	10: 062011
<u>Date Last Reviewed by EHA</u>	<u>22 January 2014</u>
Date of Audit Committee Endorsement (if applicable)	25 November 2015
<u>Date last reviewed by Eastern Health Authority Board of Management</u>	<u>19 February 2014</u>
<i>Relevant Document Reference</i>	Guidance prepared by Local Government Corporate Services for Councils - The Procurement Guide
<u>Applicable Legislation</u>	<u>Section 49 of the Local Government Act 1999</u>

1. Purpose

The Procurement Policy (the "Policy") provides information and guidance to staff and officers in their procurement of goods, works or services.

The Policy demonstrates Eastern Health Authority's (EHA) commitment to procuring goods and services in an open, fair, transparent and effective manner that ensures the maintenance of appropriate standards of probity and ethics throughout procurement processes.

2. Scope

Procurement encompasses the whole process of acquiring property, goods or services.

Procurement begins when EHA has identified a need and has decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property, goods or services and, when relevant, the ongoing management of a contract and the consideration of options related to the contract, and also extends to the ultimate disposal of property. An essential part of the procurement cycle is the ongoing monitoring and assessment of the procurement, including the property, goods or services procured.

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3. Policy Objective

1. INTRODUCTION

- 1.1** In compliance with Section 49 of the Local Government Act 1999 (Act), EHA should refer to the policy for the Procurement of Goods and Services (Policy) when acquiring goods and services.
- 1.2** Section 49 of the Act requires EHA to prepare and adopt policies on contracts and tenders on:
- 1.2.1** the contracting out of services; and
- 1.2.2** competitive tendering and the use of other measures to ensure that services are delivered cost-effectively; and
- 1.2.3** the use of local goods and services.
- 1.3** Furthermore, Section 49 (a1) of the Act requires EHA to develop and maintain policies, practices and procedures directed towards:
- 1.3.1** obtaining value in the expenditure of public money; and
- 1.3.2** providing for ethical and fair treatment of participants; and
- 1.3.3** ensuring probity, accountability and transparency in all operations.
- 1.4** This Policy seeks to:
- 1.4.1** define the methods by which EHA can acquire goods and services;
- 1.4.2** demonstrate accountability and responsibility of EHA to ratepayers;
- 1.4.3** be fair and equitable to all parties involved;
- 1.4.4** enable all processes to be monitored and recorded; and
- 1.4.5** ensure that the best possible outcome is achieved for the EHA.
- 1.5** However, this Policy does not cover:

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PROCUREMENT POLICY

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1.5.1 non-procurement expenditure such as sponsorships, grants, funding arrangements, donations and employment contracts; or

1.5.2 the disposal of land and other assets owned by the EHA.

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2. POLICY OBJECTIVE

EHA aims to achieve advantageous procurement outcomes by:

- 1.1** enhancing value for money through fair, competitive, non-discriminatory procurement;
- 1.2** promoting the use of resources in an efficient, effective and ethical manner;
- 1.3** making decisions with probity, accountability and transparency;
- advancing and/or working within EHA's economic, social and environmental policies;
- 1.4** providing reasonable opportunity for competitive local businesses to supply to EHA; appropriately managing risk; and
- 1.5** ensuring compliance with all relevant legislation.

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4. Procurement Principles

2. PROCUREMENT PRINCIPLES

EHA must have regard to the following principles in its acquisition of goods and services:

- 2.1** 4.1 Encouragement of open and effective competition
- 2.2** 4.2 **Obtaining Value for Money**
 - 2.2.14.2.1 This is not restricted to price alone.
 - 4.2.2 4.2.2 An assessment of value for money must include, where possible, 2.2.2 consideration of:
 - 2.2.2.1 the contribution to EHA's long term financial plan and strategic direction;
 - 2.2.2.2 any relevant direct and indirect benefits to EHA, both tangible and intangible;
 - 2.2.2.3 efficiency and effectiveness of the proposed procurement activity;

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2.2.2.4. the performance history, and quality, scope of services and support of each prospective supplier;

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2.2.2.5. fitness for purpose of the proposed goods or service;

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2.2.2.6. whole of life costs;

2.2.2.7. EHA's internal administration costs;

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2.2.2.8. technical compliance issues;

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• risk exposure; and

2.2.2.9. the value of any associated environmental benefits.

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2.34.3 Probity, Ethical Behaviour and Fair Dealing

EHA is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

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2.44.4 Risk Management

Ensure that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and implementation of controls.

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2.54.5 Accountability, Transparency and Reporting

2.64.6 Ensuring compliance with all relevant legislation

2.74.7 Encouragement of the development of competitive local business and industry

Where the evaluation criteria are comparable, EHA may consider the following:

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2.7.1. the creation of local employment opportunities;

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2.7.2. increased availability of local servicing support;

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2.7.3. increased convenience with communications with the supplier for contract management;

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2.7.4. economic growth within the local area;

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2.7.5. benefit to EHA of associated local commercial transaction; and/or

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• the short and long term impact of the procurement on local business.

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PROCUREMENT POLICY

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2.84.8 Environmental protection

EHA will seek to:

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2.8.1 adopt purchasing practices which conserve natural resources;

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2.8.2 align the EHA's procurement activities with principles of ecological sustainability;

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2.8.3 purchase recycled and environmentally preferred products where possible;

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2.8.4 integrate relevant principles of waste minimisation and energy;

2.8.5 foster the development of products and services which have a low environmental impact;

2.8.6 provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

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2.94.9 Financial Responsibility

Ensure that EHA employees procure Goods, Works, or Services where there is an approved and allocated budget for that purchase, and where an EHA employee with the appropriately delegated financial authority approves the purchase.

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5 Selection Of An Appropriate Procurement Process

3. SELECTION OF AN APPROPRIATE PROCUREMENT PROCESS

3.15.1 EHA will generally select from one of the following procurement processes:

- Open tendering
- Select tendering
- Limited tendering
- Staged tendering
- Direct negotiation with a preferred supplier, group of suppliers or supplier panel
- Request for quotes
- The use of existing third party contracts

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- Joint procurement arrangements with constituent councils
- Direct sourcing
- Panel arrangements (eg Local Government Association Procurement, Strategic Purchasing) or ~~arrangements~~ with prequalified suppliers

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The appropriate procurement method will be determined on a case by case basis.

Participation in the procurement process imposes costs on EHA and potential suppliers. These costs will be considered when determining a process commensurate with the sale, scope and relative risk of the proposed procurement and where relevant.

3.25.2 Justification of Choice of Procurement Method

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Employees will select a method of approaching the market which is suited to the procurement. Determining the best method in the circumstances will generally be based on the consideration of the following types of issues:

- The nature of the procurement
- The value of the procurement
- The risk associated with the procurement
- Whether the market for the procurement is known
- What is the most efficient process to achieve EHA's objectives in a timely and cost efficient manner

5.3 The following table provides direction regarding approach to market selection and the decision making responsibility for procurements:

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Procurement Category	Estimated Value Range (ex GST)	Acceptable Approaches to Market	Decision Making Responsibility
1	Up to \$3K	<ul style="list-style-type: none"> • Direct sourcing/negotiation 	Employees – within the limit of their

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PROCUREMENT POLICY

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		<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers 	delegated purchasing authority (see below) and the approved budget
2	\$3,001 - \$5,000	<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers • Joint procurement arrangements with other constituent councils • Verbal quotes from at least two (2) suppliers • Direct negotiation with supplier(s) where market is known to be limited 	Employees – within the limit of their delegated purchasing authority (see below) and the approved budget
<u>Procurement Category (cont.)</u>	<u>Estimated Value Range (ex GST)</u>	<u>Acceptable Approaches to Market</u>	<u>Decision Making Responsibility</u>
3	\$5,001 - \$50,000	<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers • Joint procurement arrangements with other <u>Constituent Councils</u> constituent councils • Written quotes from at least three (3) suppliers • Direct negotiation with preferred supplier(s) where market is known to be limited • Request for Quotation 	Chief Executive Officer – within the limit of their delegated purchasing authority (see below) and the approved budget

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PROCUREMENT POLICY

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4	\$50,001 and over	<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers • Joint procurement arrangements with other <u>Constituent Councils</u><u>constituent councils</u> • Request for Quotation • Open/Select/Limited/Staged Tender 	Chief Executive Officer – within the approved budget – based on recommendations by Employees provided in a report
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3. CONSIDERATIONS FOR EHA

4.6 Records

EHA must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

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5.7 Exemptions Exemptions from this policy

This Policy contains general guidelines to be followed by EHA in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for EHA, and other market approaches may be more appropriate.

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In certain circumstances, EHA may, after approval from its Board Members, waive application of this Policy and pursue a method which will bring the best outcome for EHA. EHA must record its reasons in writing for waiving application of this Policy.

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5.17.1 Emergency Procurement

7.1.1 CEO will undertake procurement activities during an emergency taking into account EHA's procurement objectives. Preferred suppliers must be given consideration in the first instance. An emergency is deemed a serious situation or occurrence that happens unexpectedly and demands immediate action. Emergency purchase may be made outside this policy if one of the following situations exist:

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PROCUREMENT POLICY

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5.1.4 There is a genuine concern for public safety

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5.1.2 To avoid major expenses from an unplanned event

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5.1.3 To provide security of EHA's assets eg invoking an Emergency Response Plan or Business Continuity Plan

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7.1.2 Where a purchase is made under this clause, the following will apply:

- 7.2.1** The expenditure will be limited to that required to alleviate the emergency situation only

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- 7.2.2** This policy will be abided by as soon as the emergency situation is alleviated.

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8 Delegations

6. DELEGATIONS

Expenditure must be within the employees delegated financial authority, as follows:

POSITION	\$1- \$500	\$501 - \$3,000	\$3,001 - \$10,000	\$10,001- \$50,000	\$50,001 +
Chief Executive Officer	X	X	X	X	X
Team Leader - Environmental Health	X				
Team Leader – Administration & Immunisation	X	X *	X *		
	All contracts for the acquisition of goods and services in excess of \$50,000 are to be authorised by CEO/EHA.				

*For vaccine purchases only

9 Review and Evaluation

7. FURTHER INFORMATION

7.1 This Policy will be kept on EHA's website for the public to view.

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7.2 This policy will be reviewed at least once every two years.

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7.3 However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

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10. Statement of Adoption

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This Policy was adopted by the Board of the Eastern Health Authority on 19 February 2014.

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PROCUREMENT POLICY

Policy Reference	FM02
Date of initial Board Adoption	22 June 2011
Minutes Reference	10: 062011
Date of Audit Committee Endorsement (if applicable)	25 November 2015
Date last reviewed by Eastern Health Authority Board of Management	19 February 2014
<i>Relevant Document Reference</i>	Guidance prepared by Local Government Corporate Services for Councils - The Procurement Guide
<i>Applicable Legislation</i>	Section 49 of the Local Government Act 1999

1. Purpose

The Procurement Policy (the “Policy”) provides information and guidance to staff and officers in their procurement of goods, works or services.

The Policy demonstrates Eastern Health Authority’s (EHA) commitment to procuring goods and services in an open, fair, transparent and effective manner that ensures the maintenance of appropriate standards of probity and ethics throughout procurement processes.

2. Scope

Procurement encompasses the whole process of acquiring property, goods or services.

Procurement begins when EHA has identified a need and has decided on its procurement requirement. Procurement continues through the processes of risk assessment, seeking and evaluating alternative solutions, contract award, delivery of and payment for the property, goods or services and, when relevant, the ongoing management of a contract and the consideration of options related to the contract, and also extends to the ultimate disposal of property. An essential part of the procurement cycle is the ongoing monitoring and assessment of the procurement, including the property, goods or services procured.

3. Policy Objective

EHA aims to achieve advantageous procurement outcomes by:

- enhancing value for money through fair, competitive, non-discriminatory procurement
- promoting the use of resources in an efficient, effective and ethical manner
- making decisions with probity, accountability and transparency
- advancing and/or working within EHA's economic, social and environmental policies
- providing reasonable opportunity for competitive local businesses to supply to EHA appropriately managing risk; and
- ensuring compliance with all relevant legislation.

4. Procurement Principles

EHA must have regard to the following principles in its acquisition of goods and services:

4.1 *Encouragement of open and effective competition*

4.2 *Obtaining Value for Money*

4.2.1 This is not restricted to price alone

4.2.2 An assessment of value for money must include, where possible, consideration of:

- the contribution to EHA's long term financial plan and strategic direction
- any relevant direct and indirect benefits to EHA, both tangible and intangible
- efficiency and effectiveness of the proposed procurement activity
- the performance history, and quality, scope of services and support of each prospective supplier
- fitness for purpose of the proposed goods or service
- whole of life costs
- EHA's internal administration costs
- technical compliance issues

- risk exposure; and
- the value of any associated environmental benefits.

4.3 *Probity, Ethical Behaviour and Fair Dealing*

EHA is to behave with impartiality, fairness, independence, openness and integrity in all discussions and negotiations.

4.4 *Risk Management*

Ensure that appropriate risk management practices are in place for procurement activities including risk identification, assessment, and implementation of controls.

4.5 *Accountability, Transparency and Reporting*

4.6 *Ensuring compliance with all relevant legislation*

4.7 *Encouragement of the development of competitive local business and industry*

Where the evaluation criteria are comparable, EHA may consider the following:

- *the creation of local employment opportunities*
- *increased availability of local servicing support*
- *increased convenience with communications with the supplier for contract management*
- *economic growth within the local area*
- *benefit to EHA of associated local commercial transaction; and/or*
- *the short and long term impact of the procurement on local business.*

4.8 *Environmental protection*

EHA will seek to:

- adopt purchasing practices which conserve natural resources
- align the EHA's procurement activities with principles of ecological sustainability
- purchase recycled and environmentally preferred products where possible
- integrate relevant principles of waste minimisation and energy
- foster the development of products and services which have a low environmental impact
- provide leadership to business, industry and the community in promoting the use of environmentally sensitive goods and services.

4.9 *Financial Responsibility*

Ensure that EHA employees procure Goods, Works, or Services where there is an approved and allocated budget for that purchase, and where an EHA employee with the appropriately delegated financial authority approves the purchase.

5 **Selection of an Appropriate Procurement Process**

5.1 *EHA will generally select from one of the following procurement processes:*

- Open tendering
- Select tendering
- Limited tendering
- Staged tendering
- Direct negotiation with a preferred supplier, group of suppliers or supplier panel
- Request for quotes
- The use of existing third party contracts
- Joint procurement arrangements with constituent councils
- Direct sourcing
- Panel arrangements (eg Local Government Association Procurement, Strategic Purchasing) or arrangements with prequalified suppliers.

The appropriate procurement method will be determined on a case by case basis.

Participation in the procurement process imposes costs on EHA and potential suppliers. These costs will be considered when determining a process commensurate with the sale, scope and relative risk of the proposed procurement and where relevant.

5.2 *Justification of Choice of Procurement Method*

Employees will select a method of approaching the market which is suited to the procurement. Determining the best method in the circumstances will generally be based on the consideration of the following types of issues:

- The nature of the procurement
- The value of the procurement
- The risk associated with the procurement
- Whether the market for the procurement is known

- What is the most efficient process to achieve EHA's objectives in a timely and cost efficient manner

5.3 The following table provides direction regarding approach to market selection and the decision making responsibility for procurements:

Procurement Category	Estimated Value Range (ex GST)	Acceptable Approaches to Market	Decision Making Responsibility
1	Up to \$3K	<ul style="list-style-type: none"> • Direct sourcing/negotiation • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers 	Employees – within the limit of their delegated purchasing authority (see below) and the approved budget
2	\$3,001 - \$5,000	<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers • Joint procurement arrangements with other constituent councils • Verbal quotes from at least two (2) suppliers • Direct negotiation with supplier(s) where market is known to be limited 	Employees – within the limit of their delegated purchasing authority (see below) and the approved budget
3	\$5,001 - \$50,000	<ul style="list-style-type: none"> • Use of existing third party contracts • Panel arrangements/arrangements with prequalified suppliers • Joint procurement arrangements with other Constituent Councils • Written quotes from at least three (3) suppliers • Direct negotiation with preferred supplier(s) where 	Chief Executive Officer – within the limit of their delegated purchasing authority (see below) and the approved budget

Procurement Category (cont.)	Estimated Value Range (ex GST)	Acceptable Approaches to Market (cont.)	Decision Making Responsibility (cont.)
		<p>market is known to be limited</p> <ul style="list-style-type: none"> Request for Quotation 	
4	\$50,001 and over	<ul style="list-style-type: none"> Use of existing third party contracts Panel arrangements/arrangements with prequalified suppliers Joint procurement arrangements with other Constituent Councils Request for Quotation Open/Select/Limited/Staged Tender 	Chief Executive Officer – within the approved budget – based on recommendations by Employees provided in a report

6 Records

EHA must record written reasons for utilising a specific procurement method in each activity and where it uses a procurement method other than tendering.

7 Exemptions from this policy

This Policy contains general guidelines to be followed by EHA in its procurement activities. There may be emergencies, or procurements in which a tender process will not necessarily deliver best outcome for EHA, and other market approaches may be more appropriate.

In certain circumstances, EHA may, after approval from its Board Members, waive application of this Policy and pursue a method which will bring the best outcome for EHA. EHA must record its reasons in writing for waiving application of this Policy.

7.1 Emergency Procurement

- 7.1.1 CEO will undertake procurement activities during an emergency taking into account EHA's procurement objectives. Preferred suppliers must be given consideration in the first instance. An emergency is deemed a serious situation or occurrence that happens unexpectedly and demands immediate action. Emergency purchase may be made outside this policy if one of the following situations exist:

- There is a genuine concern for public safety
- To avoid major expenses from an unplanned event
- To provide security of EHA's assets eg. invoking an Emergency Response Plan or Business Continuity Plan

7.1.2 Where a purchase is made under this clause, the following will apply:

- The expenditure will be limited to that required to alleviate the emergency situation only
- This policy will be abided by as soon as the emergency situation is alleviated.

8 Delegations

Expenditure must be within the employees delegated financial authority, as follows:

POSITION	\$1- \$500	\$501 - \$3,000	\$3,001 - \$10,000	\$10,001- \$50,000	\$50,001 +
Chief Executive Officer	X	X	X	X	X
Team Leader - Environmental Health	X				
Team Leader – Administration & Immunisation	X	X *	X *		
All contracts for the acquisition of goods and services in excess of \$50,000 are to be authorised by CEO/EHA.					

* For vaccine purchases only

9 Review and Evaluation

This policy will be reviewed at least once every two years. However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

10. Statement of Adoption

This Policy was adopted by the Board of the Eastern Health Authority on 19 February 2014.

5.5 FRAUD AND CORRUPTION PREVENTION POLICY

Author: Michael Livori
Ref: AF11/68

Summary

Fraud and corruption in public administration has the potential to cause significant financial and non-financial harm and the control of fraud and corruption is an important feature within the systems and procedures of a responsible local government regional subsidiary.

To assist in establishing a framework for the identification of fraud and corruption the Fraud and Corruption Prevention Policy is presented to the Eastern Health Authority (EHA) Audit Committee for endorsement.

Once endorsed, this policy will be referred to the Board of Management for adoption.

Report

The commencement of the Independent Commissioner Against Corruption (ICAC) and the Office of Public Integrity (OPI) on 1 September 2013, has introduced an increased scrutiny on local government in the areas of fraud and corruption.

As EHA is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency which are all key components of good governance, there is a need to introduce a Fraud and Corruption Prevention Policy.

The Fraud and Corruption Prevention Policy, based on Campbelltown City Council's Fraud and Corruption Prevention Policy is presented as attachment 1 for EHA Audit Committee endorsement.

The policy aims to provide a statement which outlines the principles and objectives for Board Members and employees of EHA in relation to Fraud and Corruption Prevention.

RECOMMENDATION

That:

1. The report regarding the Fraud and Corruption Prevention Policy is received.
2. The Fraud and Corruption Prevention Policy marked attachment 1 to the report dated 25 November 2015 is endorsed.
3. The Fraud and Corruption Prevention Policy marked attachment 1 to the report dated 25 November 2015 is referred to the EHA Board of Management for adoption.



FRAUD AND CORRUPTION PREVENTION POLICY

Policy Reference	GOV
Date of Initial Board Adoption	N/A
Minutes Reference	N/A
Date of Audit Committee Endorsement (if applicable)	N/A
Date last reviewed by Eastern Health Authority Board of Management	N/A
Relevant Document Reference	
Applicable Legislation	<ul style="list-style-type: none"> • Section 132A of the <i>Local Government Act 1999</i> • <i>Independent Commissioner Against Corruption Act 2012</i> • <i>Whistleblowers Protection Act 1993</i>

1. Purpose

Eastern Health Authority (EHA) recognises that Fraud and Corruption has the potential to cause significant financial and non-financial harm, and that the prevention and control of Fraud and Corruption should feature predominantly within the systems and procedures of a responsible organisation.

The purpose of this Policy is to clearly define EHA's commitment to preventing fraud and corruption, and to outline the methodology in place to minimise fraud and corruption threats.

2. Scope

This Policy is intended to complement and be implemented in conjunction with other EHA policies, including:

- Code of Conduct for Board Members;
- Code of Conduct for Employees;
- Risk and Opportunity Management Policy and Framework and Internal Control Manual and Procedures
- Whistleblower Protection Policy.

This Policy applies to all disclosures that relate to the actual or suspected occurrence of fraud and corruption within EHA by Public Officers.

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3. Definitions

For the purposes of this Policy the following definitions apply:

An **Appropriate Authority** that receives disclosure of public interest information includes:

- A Minister of the Crown;
- A member of the South Australian Police Force - where the information relates to an illegal activity;
- The Auditor-General – where the information relates to the irregular or unauthorised use of public money;
- The Ombudsman – where the information relates to a public officer;
- A Responsible Officer, where the information relates to a matter falling within the sphere of responsibility of a Local Government body;
- An appointed Officer under EHA's Whistleblowers Policy; or
- Any other person¹ to whom, in the circumstances of the case, it is reasonable and appropriate to make the disclosure².

A person makes an **appropriate disclosure** of public interest information if

- (a) The person-
 - i. Believes on reasonable grounds that the information is true: or
 - ii. Is not in a position to form a belief on reasonable grounds about the truth of the information but believes on reasonable grounds that the information may be true and is of sufficient significance to justify its disclosure so that its truth may be investigated; and
- (b) The disclosure is made to the Appropriate Authority.

Where a person making a disclosure requests to do so under the Whistleblowers Protection Act, the matter will be managed in accordance with EHA's Whistleblowers Policy rather than this document.

Corruption is dishonest activity in which a Public Officer acts contrary to the interests of the organisation and abuses his/her position of trust in order to achieve some personal gain or advantage for him or herself or for another person or entity³

Corruption in public administration means:

- a) an offence against Part 7 Division 4 (Offences relating to public officers) of the *Criminal Law Consolidation Act 1935*, which includes the following offences:

¹ Such a person may include an independent company that offers an anonymous whistleblower call service.

² Where the disclosure relates to fraud and corruption, the Appropriate Authority must pass the information as soon as practicable to the Anti-Corruption Branch of the SA Police.

³ Adapted from Australian Standard AS8001-2008: Fraud and Corruption Control definitions

- (i) bribery or Corruption of public officers;
 - (ii) threats or reprisals against public officers;
 - (iii) abuse of public office;
 - (iv) demanding or requiring benefit on basis of public office;
 - (v) offences relating to appointment to public office.
- b) any other offence (including an offence against Part 5 (Offences of dishonesty) of the *Criminal Law Consolidation Act 1935*) committed by a public officer while acting in his or her capacity as a public officer or by a former public officer and related to his or her former capacity as a public officer, or by a person before becoming a public officer and related to his or her capacity as a public officer, or an attempt to commit such an offence; or
- c) any of the following in relation to an offence referred to in a preceding paragraph:
- (i) aiding, abetting, counselling or procuring the commission of the offence;
 - (ii) inducing, whether by threats or promises or otherwise, the commission of the offence;
 - (iii) being in any way, directly or indirectly, knowingly concerned in, or party to, the commission of the offence;
 - (iv) conspiring with others to effect the commission of the offence.

Deception means deceiving another person to obtain a benefit or to cause detriment to a person.

Directions and Guidelines refer to the document titled as such and available on the ICAC website www.icac.sa.gov.au

Employee means any person who is employed by EHA, but also includes any contractors, volunteers and consultants undertaking work for, or on behalf of EHA.

A **False Disclosure** is a disclosure of information involving actual or suspected fraud or corruption that is made by a person who knows the information to be false or, who is reckless as to whether it is false.

Fraud means dishonest activity causing actual or potential financial loss to any person or entity including theft of moneys or other property by a Public Officer and where deception is used at the time, immediately before or immediately following the activity. It can also include the deliberate falsification, concealment, destruction or use of falsified documentation used or intended for use for a normal business purpose, or the improper use of information or position for personal financial benefit.

The theft of property belonging to EHA by a person or persons elected, working or volunteering for EHA but where deception is not used is also considered "fraud" for the purposes of this definition.

Fraud is an intentional dishonest act or omission done with the purpose of deceiving.

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Fraud and Corruption Prevention Policy

4

Note: unlike 'Corruption' there is no statutory definition of 'Fraud'. Fraud is a style of offending. The offences addressed under Part 5 and Part 6 of the *Criminal Law Consolidation Act 1935* are considered to constitute Fraud offences.

Maladministration generally includes impropriety or negligence, which may extend to conduct of a serious nature that is:

- Contrary to law; or
- Unreasonable, unjust, oppressive or improperly discriminatory; or
- Based upon improper motives; or
- A result of acting outside the parameters of recommended practice.

OPI (Office for Public Integrity) is the office established under the *ICAC Act 2012* that has the function to:

- (a) receive and assess complaints about public administration from members of the public;
- (b) receive and assess reports about corruption, misconduct and maladministration in public administration from the Ombudsman, EHA and public officers;
- (c) make recommendations as to whether and by whom complaints and reports should be investigated;
- (d) perform other functions assigned to the Office by the Commissioner.

Team Leader means any Employee of EHA who is responsible for the direct supervision of other Employees, and/or, for the management of a EHA Department.

Public administration defined at section 4 of the *ICAC Act 2012* means without limiting the acts that may comprise public administration, an administrative act within the meaning of the *Ombudsman Act 1972* will be taken to be carried out in the course of public administration.

Public Officer has the same meaning as in the *ICAC Act 2012* and includes (but is not limited to):

- A Board Member of EHA;
- An Independent Member of an EHA Committee;
- An Employee of EHA.

A **Responsible Officer** is a person appointed and authorised to receive and act upon information provided by a Whistleblower. The Chief Executive Officer and the Manager People and Culture are Responsible Officers under the *Whistleblowers Protection Act 1993*.

SAPOL means the Anti-Corruption Branch of the South Australian Police Force.

A **Whistleblower** is any person who makes an appropriate disclosure of public interest information.

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Fraud and Corruption Prevention Policy

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Waste refers to the waste of public resources (including public money), which occurs as a result of the substantial mismanagement, irregular or, unauthorised use of public resources.

4. Principles

EHA is committed to acting in the best interest of the community and to upholding the principles of honesty, integrity and transparency, which are all key components of good governance.

EHA will not tolerate fraudulent or corrupt activity and is committed to control and prevention of such activities by:

- Establishing and maintaining an effective system of internal controls and enforcing compliance with those controls;
- Regularly undertaking and reviewing risk assessments to identify circumstances in which fraud and corruption could potentially occur;
- Implementing fraud and corruption prevention and mitigation strategies in its day to day operations;
- Establishing formal procedures for the investigation of allegations relating to fraudulent and/or corrupt activity;
- Taking appropriate action in response to allegations of fraudulent and/or corrupt activity including, reporting allegations through appropriate channels and where allegations are substantiated, taking disciplinary action in accordance with EHA's Codes of Conduct or other relevant processes;
- Ensuring all Board Members and Employees are aware of their obligations in regards to the prevention of fraud and corruption within EHA; and
- Fostering an ethical environment in which dishonest and fraudulent behaviour is actively discouraged.

5. Policy

5.1 Prevention

EHA recognises that:

- The occurrence of fraud and corruption will prevail in an administrative environment where opportunities exist for abuse and maladministration; and
- The most effective way to prevent the occurrence of fraud and corruption is to promote an ethical workplace in which internal control mechanisms have been implemented.

EHA expects that Public Officers will assist in preventing fraud and corruption within EHA by:

- Understanding the responsibilities of their position;
- Familiarising themselves with EHA's procedures and adhering to them;

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- Understanding what behaviour constitutes fraudulent and/or corrupt conduct;
- Maintaining an awareness of the strategies that have been implemented by EHA to minimise fraud and corruption;
- Being continuously vigilant to the potential for fraud and/or corruption to occur; and
- Reporting suspected or actual occurrences of fraud or corruption in accordance with part 5.4 of this Policy.

5.2 Responsibilities

5.2.1 Board Members are responsible for ensuring that EHA:

- Supports the Chief Executive Officer in the implementation of adequate security for the prevention of fraud and corruption including the provision of secure facilities for storage of assets, and procedures to deter fraudulent or corrupt activity from occurring; and
- Makes reports in accordance with part 5.4 of this Policy and facilitates cooperation with any investigation undertaken by an external authority (such as SAPOL or the Commissioner Independent Commissioner Against Corruption).

5.2.2 The Chief Executive Officer is responsible for:

- Making reports in accordance with part 5.4 of this Policy and facilitates cooperation with any investigation undertaken by an external authority (such as SAPOL or the Commissioner Independent Commissioner Against Corruption);
- Providing adequate security for the prevention of fraud and corruption, including the provision of secure facilities for storage of assets and procedures to deter fraudulent or corrupt activity from occurring;
- Promoting EHA's commitment to the prevention of fraud and corruption to the Community on relevant occasions;
- Providing mechanisms for receiving allegations of fraud or corruption, including ensuring that Responsible Officers and Employees receive appropriate training;
- Promoting a workplace culture and environment in which fraud and corruption is actively discouraged and is readily reported should it occur; and
- Undertaking and reviewing a fraud and corruption risk assessment on a regular basis.

5.2.3 Team Leaders are responsible for:

- The conduct of any Employees whom they supervise and, will be

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held accountable for such;

- Any property under their control and, will be held accountable for such;
- Reporting in accordance with part 5.4 of this Policy;
- Creating an environment in which fraud and corruption is discouraged and readily reported by Employees. Such an environment shall be fostered by the Team Leader's own attitude to fraud and corruption and, by the accountability and integrity they both display and encourage from other Employees;
- Ensuring that new Employees for whom they are responsible are aware of their responsibilities in relation to fraud and corruption and, of the standard of conduct expected from all Employees.
- Identifying potential fraud and corruption risks; and
- Leading by example to promote ethical behaviour.

5.2.4 Employees are responsible for:

- Performing their functions and duties with care, diligence, honesty and integrity;
- Conducting themselves in a professional manner at all times;
- Adhering to EHA's Policy and Procedures that have been established to prevent fraud or corruption;
- Taking care of EHA's property which includes avoiding the waste or misuse of EHA's resources;
- Maintaining and enhancing the reputation of EHA;
- Remaining scrupulous in their use of EHA's information, assets, funds, property, goods or services; and
- Reporting in accordance with part 5.4 of this Policy.

5.3 Fraud and Corruption Risk Assessment

5.3.1 EHA's main objective is to minimise the occurrence of fraud and corruption within EHA. This objective can generally be achieved by:

- Identifying Fraud and Corruption Risks;
- Determining strategies to control those risks; and
- Defining responsibility for and, the time frame within which the strategies will be implemented.

5.3.2 Team Leaders must be alert to the potential occurrence of fraud and corruption and factors which may leave EHA vulnerable to fraud and corruption, including:

- Changes to EHA delegations and subdelegations;
- Implementation of cost cutting measures;

D15/15273

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- Contracting out, outsourcing or services where EHA is generating an income;
- The impact of new technology; and
- Changes to risk management practices.

5.4 Reporting Fraud and Corruption in Public Administration to the OPI

5.4.1 Public Officers

5.4.1.1 A Public Officer must report to the OPI any matter that the Public Officer reasonably suspects involves corruption in public administration unless the public officer knows that the matter has already been reported to the OPI.

5.4.1.2 A report to the OPI by an Employee or Board Member must be made on the online report form available at www.icac.sa.gov.au in accordance with the ICAC Act.

5.4.2 EHA

5.4.2.1 EHA (that is, the Board Members collectively) must report to the OPI any matter that EHA reasonably suspects involves corruption in public administration unless EHA knows that the matter has already been reported to the OPI. The Chief Executive Officer is responsible for preparing a report to the OPI on behalf of EHA for these purposes (where the matter relates to the Chief Executive Officer the Chair is to make the report). The report must be made immediately upon receiving direction from EHA (such as via the Chair).

5.4.2.2 A report to the OPI by the Chief Executive Officer on behalf of EHA must be made on the online report form available at www.icac.sa.gov.au in accordance with the ICAC Act.

5.4.3 The Report to the OPI

5.4.3.1 The report must be made in accordance with the Directions and Guidelines.

5.5 Reporting Fraud

5.5.1 Any Employee or Board Member that has or acquires knowledge of actual or suspected Fraud that:

5.5.1.1 does not constitute corruption in public administration;⁴ and

5.5.1.2 impacts or causes detriment (or has the potential to impact or cause detriment) to EHA –

must report such information to the Responsible Officer or the Anti-Corruption branch of SAPOL.

⁴ Such conduct may, for example, relate to persons who are not public officers,

Fraud and Corruption Prevention Policy

9

- 5.5.2** A report made under part 5.6 may be made under the *Whistleblowers Protection Act 1993* and managed in accordance with EHA's Whistleblower Protection Policy.

5.6 Action by the Chief Executive Officer Following Report and/or Investigation into Fraud or Corruption

- 5.6.1** Following any report to the OPI or SAPOL under this Policy (or the Whistleblower Protection Policy as the case may be) of which the Chief Executive Officer has knowledge and, subject to the finalisation of any investigation undertaken by the Commissioner or SAPOL, the Chief Executive Officer will undertake a review into the area in which the Fraud or Corruption occurred to determine the cause for the breakdown in controls and, will report the findings of the review and provide recommendations (if any) to EHA. In undertaking any review, the Chief Executive Officer will have regard to any recommendations received from the Commissioner, SAPOL or the Ombudsman.
- 5.6.2** In the event that allegations of Fraud and/or Corruption are substantiated, EHA may take disciplinary action against any Employee who was involved.

5.7 False Disclosure

- 5.7.1** A person who makes a statement knowing that it is false or misleading in a complaint or report under the *ICAC Act 2012* or makes disclosure of public interest information, under the *Whistleblowers Protection Act 1993* knowing it to be false or being reckless about whether it is false or misleading, is guilty of an offence
- 5.7.2** An Employee who makes a false disclosure, in addition to being guilty of an offence, will face disciplinary action that may include instant dismissal.
- 5.7.3** Board Members who make a false disclosure, in addition to being guilty of an offence, may face disciplinary action pursuant to the Code of Conduct for Board Members.

5.8 Educating for Awareness

EHA recognises that the success and credibility of this Policy will largely depend upon how effectively it is communicated throughout the organisation and beyond.

- EHA's initiatives and policies regarding the control and prevention of fraud and corruption will be promoted by Employees at EHA office.

5.9 Supporting documentation

All allegations of fraud and corruption and results of any investigations conducted will be securely maintained in EHA's Records Management System.

D15/15273

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6. Review & Evaluation

This policy will be reviewed at least once every two years. However, EHA may revise or review this Policy at any time (but not so as to affect any process that has already commenced).

7. Statement of Adoption

This Policy was adopted by the Board of the Eastern Health Authority on

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D15/15273

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