



<b>Policy Hierarchy link</b>			
<b>Responsible Officer</b>		Director of Finance	
<b>Contact Officer</b>		Director of Corporate Finance	
<b>Superseded Documents</b>		List all documents replaced by this Procedure.	
<b>File Number</b>		Contact the <a href="#">Records &amp; Archives Office</a> .	
<b>Associated Documents</b>		These are the documents which should be read in conjunction with this Procedure, such as other Procedures and Guidelines.	
<b>Version</b>	<b>Authorised by</b>	<b>Approval Date</b>	<b>Effective Date</b>
1.1	Vice President, Finance and Operations	05 February 2013	05 February 2013

1.	Purpose and Scope.....	2
2.	Definitions.....	2
2.1	When is an inter/intra-departmental journal required? .....	3
2.2	Performing an inter/intra-departmental journal.....	3
2.2.1	Inter/intra-departmental transactions must net off to zero.....	3
2.2.2	Both sides of an inter/intra-departmental journal should be created together .....	3
2.2.3	Invoice & documentation requirements .....	4
2.2.4	Timing & cut off.....	4
2.2.5	Dispute resolution.....	4
2.2.6	Internal transfer accounts should not be used for the correction of errors in cost allocation to a Department or Project .....	5
2.2.7	Accruals .....	5
2.3	Types of inter/intra-departmental journals .....	5
2.3.1	Internal trading accounts .....	5
2.3.2	Internal transfer of expenses .....	6
2.3.3	Internal transfer of funds.....	7
2.3.4	Internal Correction of Funds.....	8
2.4	Control of inter/intra-departmental accounts .....	8
2.4.1	Responsibilities.....	8
2.4.2	Reconciliation .....	9
2.5	Budgeting & forecasting for inter/intra-departmental accounts .....	9
2.5.1	DS&FP will follow a process so that the budget/ forecast for internal accounts net off at group level.....	9

## 1. Purpose and Scope

Within the University, Faculties and Divisions engage in a number of transactions with other Faculties and Divisions. This document establishes a uniform procedure for processing such inter/intra-departmental transactions to ensure that all transactions are balanced and eliminated at month end to avoid double counting of income and expenses.

The procedures established in this document address most of the University's inter-company transactions, being those made between the Parent University and its Subsidiaries. If a transaction is not addressed, the item should be treated in a manner consistent with these objectives. This does not include inter-company transactions e.g. Parent to Subsidiary.

## 2. Definitions

This section sets out definitions for key terms referred to in this Procedure. Definitions must be consistent with other UNSW documents, particularly the associated Policy.

Term	Definition
<b>Inter-departmental</b> journal or transaction	A transaction made totally within the Faculty or Division within the university which does not involve any external parties. It will involve a movement of funds or expenses <b>between Departments.</b>
<b>Intra-departmental</b> journal or transaction	A transaction made totally within the Faculty or Division within the university which does not involve any external parties. It will involve a movement of funds or expenses <b>within a Department.</b>
<b>Inter-company</b> journal or transaction	A transaction made between the Parent University and its Subsidiaries
The University	Refers to the Parent University of New South Wales
Group	Refers to the Parent University and all its entities
Subsidiary	A separate legal entity within the University
Internal Trading	The provision of goods and services between Faculties and/or Divisions
Internal Expense Transfer	The transfer or re-allocation of expenses from the department or project they have previously been recorded against, to a more appropriate department or project.
Internal Funds Transfer	This includes: <ul style="list-style-type: none"><li>- The transfer of funding between departments/projects to provide additional funding</li><li>- The transfer of the balance of a project which is closed and has a surplus or deficit balance</li><li>- Cross Faculty Contributions, such as in the case of joint faculty initiatives</li><li>- Genuine Funding Contribution to/from faculty</li></ul>

## **2.1 When is an inter/intra-departmental journal required?**

A transaction is inter/intra-departmental when it is made totally within the Parent Entity of the University and does not involve any external parties. The transactions will involve a movement of funds or expenses between either:

- Fund Type
- Projects
- Departments (Entities), or
- Accounts

The main types of inter/intra-departmental transactions are:

1. Internal Trading
2. Internal Transfers of Expenses
3. Internal Transfers of Revenue (Funds)

Inter/intra-departmental journals are performed using only internal accounts and should to follow the guidelines set out below.

## **2.2 Performing an inter/intra-departmental journal**

### **2.2.1 Inter/intra-departmental transactions must net off to zero**

Inter/intra-departmental transactions must have a nil effect on the overall reporting of income and expenditure of the University in the annual financial statements. Therefore each inter/intra-departmental transaction that is processed must net off to zero to ensure there is no double counting of income & expenses at a parent level.

E.G. For each transaction which debits an inter/intra-departmental account, there must be a corresponding credit of the same value that credits an inter/intra-departmental account, and vice versa.

In the 2013 financial year, system changes in NS Financials will mean that an error message will appear and restrict users if they attempt to save a spreadsheet/ manual journal with a balance of internal accounts that does not net off to zero in the journal.

### **2.2.2 Both sides of an inter/intra-departmental journal should be created together**

When creating an inter/intra-departmental journal both sides of the entry must be posted at the same time.

### **2.2.3 Invoice & documentation requirements**

For all inter/intra-departmental charges, the originating Faculty or Division and receiving Faculty or Division should agree on the charge. Before posting, documentation is to be attached to the journal that has previously been agreed.

In the event that they do not agree, and the Faculties and Divisions are unable to resolve a concern about an inter/intra-departmental journal, the Dispute Resolution guidelines should be followed (See section 2.2.5).

### **2.2.4 Timing & cut off**

All inter/intra-departmental journals (except the exclusions shown below) for the month must be processed by:

Day 1 of month end cut-off at 1pm

In the case that actual data is not available by the close of business and cut off, please use estimates based on historical costs, whenever possible. This is in order to record activity according to these cut –off timelines.

The following transactions represent exceptions for purposes of the month cutoff. The cutoff for the following transactions is the last day of the month (day 3):

- Capitalisation Journals
- Teaching Revenue
- Research Revenue
- FOREX

Also, any transaction received after the cut-off date, which in total impacts a faculty or division by more than \$250k may be posted after the cut-off date. In this circumstance the transaction must first be discussed and authorised with both parties (the charger and the receiver) before the journal is processed. All necessary accounting personnel including Corporate Finance and Decision Support and Financial Planning (DS&FP) must be consulted upon the initiation and execution of these transactions by sending an email to the Director of Corporate Finance, and the Director of DS&FP.

### **2.2.5 Dispute resolution**

In the event that Faculties and Divisions are unable to resolve a concern about an inter/intra-departmental journal, the following guidelines should be followed.

If a Receiving Faculty or Division receives an Inter/intra-departmental charge that does not belong to them, they should:

1. Immediately notify the originating Faculty or Division
2. Seek an explanation and then either reject or accept the charge
3. If the charge has been rejected, the receiving Faculty or Division does not have to record it, provided the originating Faculty or Division agrees that a coding error had caused the receiving Entity to be charged in error.
4. It is then the originating Faculty or Division's responsibility to determine the correct receiving Faculty or Division to charge the Intercompany charge.

If there is still no resolution from following this process, and the receiving Faculty/ Division needs to dispute the charge further:

- The inter/intra-departmental charge should be recorded on the receiving Faculty or Division's P&L to ensure that there are no out-of-balances at month end.
- The Receiving Faculty or Division then sends an email explaining their concerns to the Director of Corporate Finance and Director of DS&FP, copying in the originating Faculty or Division for comment and resolution. This should also include supporting documentation which was attached at the time of journal creation (as previously mentioned in Section 2.2.3).
- If disputed charges cannot be resolved between the receiving and originating Faculty and Division within one month of the date the charge was initially contested, the receiving Faculty or Division is to escalate the concern to the Director of Finance.

### **2.2.6 Internal transfer accounts should not be used for the correction of errors in cost allocation to a Department or Project**

Note that internal transfer accounts should not be used for the correction of errors in cost allocation to a department or project. Instead this should be done at the original expense account level and therefore involves an additional journal set.

### **2.2.7 Accruals**

Where accruals for inter/intra-departmental charges are needed, both sides must be posted to the P&L e.g. when reversing accruals are performed for estimates.

Internal accruals cannot be posted to the Balance Sheet. This will avoid double counting of expense and revenue.

## **2.3 Types of inter/intra-departmental journals**

### **2.3.1 Internal trading accounts**

Internal trading refers to the provision of goods and services between Faculties and/or Divisions. For each internal income account there is one internal expense account (other than for Facilities Work Orders\*). When raising charges for internal trading, the income and expense accounts must match and eliminate on consolidation.

\*For 'Facilities Work Orders', income is split between materials, labour, supplies and service fees, with a single contra account (Account 6931 - Internal expense Facilities).

The following internal trading accounts are majority of those currently in use:

## INTERNAL TRADING ACCOUNTS

Income Account	Income Account Description Matching	Expense Account	Matching Expense Account Description
1401	Internal Income Printery	6901	Internal Expense Printing
1402	Internal Income Publications	6902	Internal Expense Publications
1403	Internal Income Student Fees	6903	Internal Expense Student Fees
1404	Internal Income Mail Centre	6904	Internal Expense Mail Centre
1406	Internal Income IT Services	6906	Internal Expense IT Services
1407	Internal Income Fleet Systems	6907	Internal Expense Fleet System
1409	Internal Income Security	6909	Internal Expense Security
1410	Internal Income Library	6910	Internal Expense Library
1411	Internal Income BRC Sales	6911	Internal Expense BRC Sales
1412	Internal Income Admin Fee	6912	Internal Expense Admin Fee
1420	Internal Income Other	6920	Internal Expense Other
1422	Internal Income Room Hire	6922	Internal Expense Room Hire
1423	Internal Income Car Hire	6923	Internal Expense Car Hire
1424	Internal Income Cleaning	6924	Internal Expense Cleaning
1431	Internal Income Facilities Materials	6931	Internal Expense Facilities
1434	Internal Income Facilities Service		
1436	Internal Income BRC Boarding	6932	Internal Expense BRC Boarding
1438	Internal Income BRC Bedding	6934	Internal Expense BRC Bedding
1439	Internal Income BRC Animal Prd	6935	Internal Expense BRC Animal Prd
1440	Internal Income BRC Transport	6936	Internal Expense Transport
1441	Internal Income BRC Technical	6937	Internal Expense Technical
1461	Internal Income Scholarship	6961	Internal Expense Scholarship
1462	Internal Income Prize	6962	Internal Expense Prize
1463	Internal Income Award	6963	Internal Expense Award
1464	Internal Inc Chair/Fellowship	6964	Internal Exp Chair/Fellowship
1465	Internal Inc Capital Campaign	6965	Internal Exp Capital Campaign
1466	Internal Income Research	6966	Internal Expense Research
1467	Intern Inc General Fundraising	6967	Internal Exp General Fundraise
1509	Internal Contract Rsch Faculty	6945	Contract Research OHead Internal

### 2.3.2 Internal transfer of expenses

This occurs where expenses which have been previously recorded against one department and/or project are transferred or reallocated to a more appropriate department and/or project.

Typical examples include:

- Expenses of more than one cost type have been incurred by one department on behalf of another
- A project has reached completion and equipment or materials can be used on an existing uncompleted project
- Reallocation of travel or payroll expenditure that is applicable across a number of projects
- Transfer of casual academic salaries to spend teaching relief funding

The same account should be used for both the debit and credit side of the transaction e.g. re-allocation of travel or payroll expenditure that is applicable across a number of projects.

Expenses are transferred by journal, with the same account used for both the debit and credit side of the transaction.

The following internal transfer accounts are currently in use:

## Internal Expense Accounts

Account Number	Account Description
4100	Internal Transfer Salary Academic
4800	Internal Transfer Salary General
4801	Internal Transfer Salary IT
5720	Internal Transfer Equipment
6720	Internal Transfer Materials
7020	Internal Transfer Travel

### 2.3.3 Internal transfer of funds

An internal transfer of funds occurs in the following situations:

- To transfer funding between departments/projects to provide additional funding
- To transfer the balance of a project that is closed which has a surplus or deficit balance
- Cross Faculty Contributions such as in the case of joint faculty initiatives
- Genuine Funding Contribution to/from faculty

It is important not to confuse "internal transfer of expenses" or "internal corrections of funds" (see below) with an internal funds transfer. A true fund transfer will only occur as above. If you are unclear please discuss with your needs with your Finance Manager or Corporate Finance.

The following accounts are to be used to record an internal transfer of funds:

Account Number	Account Description	Comment
1507	Internal Income Transfer	To be used where fund is for a specific purpose for example research project
6921	Internal Income Contribution	This account is to be used against transfer between different fund types

#### Some examples:

- (i) Transfer of shared funding between Departments/ Projects e.g. Shared grants (also cross faculty contributions such as in the case of joint Faculty initiatives)

Month	Account	Fund	Department	Project	Amount
Jan	1507	Restricted	Faculty	Project A	xx
Jan	1507	Restricted	Faculty	Project B	(xx)

- (ii) Transfer of Funding between Departments e.g. DVCR strategic funding

Month	Account	Fund	Department	Project	Amount
Feb	6921	Strategic	Faculty		xx
Feb	1507	Restricted	Faculty		(xx)

- (iii) Transfer of a balance of a project that will be de-activated to another project

Month	Account	Fund	Department	Project	Amount
May	6921	Restricted	Faculty	Project A	xx
May	1507	Restricted	Faculty	Project B	(xx)

(iv) Transfer of funds representing contributions within the Faculty  
e.g. Additional funding provided to a business unit

Month	Account	Fund	Department	Project	Amount
Sept	6921	Operating	Faculty		xx
Sept	6921	Operating	Faculty		(xx)

(v) Additional support to a research project or when a research project is on deficit

Month	Account	Fund	Department	Project	Amount
Sept	6921	Operating	Faculty		xx
Sept	6921	Restricted	Faculty		(xx)

### 2.3.4 Internal Correction of Funds

Internal Correction of Funds may be necessary to:

- Correct revenue transactions that have been receipted into the wrong account or project, or
- To correct funds allocation over a number projects i.e if 100% of funds receipted into one project.

These are not internal fund transfers and should be corrected / amended at the original account level.

## 2.4 Control of inter/intra-departmental accounts

### 2.4.1 Responsibilities

All UNSW personnel are responsible for operating and accounting for inter-/intra-department transactions in accordance with these guidelines.

Finance Managers are responsible for ensuring that these guidelines are distributed, read, understood and adhered to by the appropriate individuals involved in and accounting for inter-department transactions.

Finance Managers are responsible for monitoring compliance with the procedures included in this document as they relate to inter-department transactions that occur between The University and their Faculties/ Divisions.

Corporate Finance is responsible for overseeing the consolidation process and ensuring that all inter/intra-departmental transactions have been appropriately recorded and eliminated at the Consolidation level at Parent and Group levels.

Finance Managers should also budget/forecast and communicate with counterparties about internal accounts expenses and income as per requirements in Section 2.5.

## 2.4.2 Reconciliation

At each month end, Corporate Finance will perform a reconciliation to ensure inter/intra-departmental account balances net off.

If they do not, any material balances (\$100k +) will be identified and corrected by the relevant Finance Manager. All issues will need to be addressed and resolved before the close of month end.

## 2.5 Budgeting & forecasting for inter/intra-departmental accounts

Just as this procedure relates to actual entries in the General Ledger, it also relates to the way inter/intra-departmental transactions are reflected in the forecast and budget. It is critical that inter/intra-departmental entries in the budget and forecast periods net off within the inter/intra departmental accounts so that projections are not over or under stated.

Additionally, any variances related to internal accounts in one department of the university should be offset in another.

For example, if Facilities is favourable in its inter-departmental revenue related to cost recoveries for maintenance from the Faculty of Science, the Faculty of Science should be unfavourable in its inter-department expense accounts. These amounts should exactly offset and be a net zero variance across the university.

### 2.5.1 DS&FP will follow a process so that the budget/ forecast for internal accounts net off at group level

In order to facilitate the balancing of inter/intra-departmental accounts across the UNSW Group for budgets and forecasts, the DS&FP team will run a process to ensure these accounts net off.

In August 2012 an analytical process was undertaken to map and better understand what the major interdepartmental transactional flows were across the university, and who they were between. From this analysis, a template was established which helped facilitate agreement between the different areas of the university that were party to these interdepartmental flows.

The process to ensure budget/ forecast for internal accounts net off at group level involves:

- During a forecast or budget process, a template is distributed to all parties and counter parties with all internal charges and revenues articulated
- It is then up to the parties to talk with each other about their inter-departmental charges or revenue.
- Where they don't agree with the forecast or budgeted amounts, they should come to a new agreement as to what the charges/revenue should be.
- Once an agreement has been settled, the DS&FP contact running the process should be informed of the newly agreed amount and this will be input into the master template and Calumo. DS&FP run this process at a faculty and division level across UNSW.
- It is also important that each faculty and division have a process internally to ensure charges between schools, centre's and administration units are applied as per this policy guideline.

The budget and forecast inter/intra-departmental charges and revenues then become a control mechanism in ensuring compliance with this procedure.

## Appendix A: History

The authorisation and amendment history for this document must be listed in the following table. Refer to information about [Version Control](#) on the Policy website.

Version	Authorised by	Approval Date	Effective Date	Sections modified
[X.X]	[Position Title]	[xx Month Year]	[xx Month Year]	