

Treasurer's Instruction No	202
Title	Definition of “Administered” and “Controlled”
Effective date	30 April 2005
Objective and Background	Defines administered and controlled transactions and provides guidance in their application
Last Reviewed Date	30 April 2005

This Instruction was previously known as Treasurer's Instruction No 704 – Definition of “Administered” and “Controlled”.

Black letter (or bold) items within these Instructions are mandatory and other plain font items are instructional or for the purpose of providing guidance only.

- (1) All transactions and balances of an Agency, other than those undertaken under a trustee or agency arrangement, must be categorised as administered or controlled.**

AAS 29 *Financial Reporting by Government Departments* requires government departments to classify all items in government accounts and financial statements as either “controlled” or “administered”. For further information on activities undertaken under a trustee or agency arrangement, refer to Instruction 203 *Activities Undertaken Under a Trustee or Agency Arrangement*.

The operations of an Agency comprise:

- activities that are “controlled” by an Agency and which relate directly to an Agency’s operational objectives and arise at its discretion and direction; and
 - activities that are “administered” on behalf of the Government where an Agency has no discretion to alter the resources provided or determine how they are spent.
- (2) The Head of Agency is accountable for transactions involving administered resources, but does not have the discretion to deploy the resources for the achievement of the Agency’s objectives. The direct and indirect costs of undertaking administered activities are controlled costs.**
- (3) Where an Agency is responsible for levying and collecting taxes, fees and fines, but does not control the future economic benefits embodied in the revenues, the transactions are classified as “administered”. However, any expenses directly incurred in collecting these revenues are “controlled”.**
- (4) The Head of Agency must seek the approval of the Secretary prior to classifying transactions and balances of an Agency as “administered”.**

- (5) For the purposes of financial reporting, transactions and balances relating to administered resources are not recognised as Agency revenues, expenses, assets or liabilities.**

Administered resources are disclosed in notes to general purpose financial statements. For further information on the reporting of administered and controlled transactions and balances refer to Instruction 206 Presentation of Annual Financial Statements.

DEFINING CONTROLLED AND ADMINISTERED

General principles

- (6) Revenues collected by an Agency, other than those types that the Treasurer has given approval for an Agency to retain, are administered revenues.**
- (7) Expenses incurred by an Agency, other than transfers to the Consolidated Fund and, in limited circumstances, grant payments, are controlled expenses.**
- (8) Unless they solely and directly relate to administered activities, assets and liabilities are controlled. Treasury approval must be obtained to recognise assets and liabilities as administered.**

An Agency may obtain approval from Treasury to vary the application of these general principles to an activity of an Agency.

In determining the appropriate application of administered and controlled, an Agency should be mindful of materiality. Only material administered activities need to be separately reported.

CONTROLLED REVENUES

- (9) Controlled revenues represent those revenues that an Agency can utilise to further its own objectives.**

Generally, revenues that can be retained by an Agency for its own purposes are controlled.

- (10) Revenues can only be retained within the Special Deposits and Trust Fund with the approval of the Treasurer as provided under section 8 of the *Public Account Act 1986*.**

- (11) Controlled revenues include:**
- (a) appropriations;**
 - (b) revenue from user charges retained by an Agency;**
 - (c) fees and fines retained by an Agency;**

- (d) Commonwealth payments made directly to an Agency and retained by an Agency; and
- (e) proceeds from the sale of assets retained by an Agency.

ADMINISTERED REVENUES

- (12) Administered revenues represent those revenues that an Agency cannot utilise to further its own objectives.

Generally, all revenues required to be paid into the Consolidated Fund are administered. These include taxes, fines, and regulatory fees and transfer payments.

- (13) Administered revenues include:

- (a) Revenue from user charges which are required to be transferred to the Consolidated Fund;
- (b) Taxation, fees and fines which are required to be transferred to the Consolidated Fund;
- (c) Commonwealth grant monies:
 - (i) which are required to be transferred to the Consolidated Fund;
 - (ii) which are to be on passed to a third party under a post box arrangement; or
 - (iii) where an Agency has no discretion as to how the monies are to be disbursed. For example, reimbursement from the Commonwealth for first home assistance grants; and
- (d) Appropriations in respect of grant payments that are Reserved by Law. For example, reimbursements to local government for pensioner rate remission payments.

CONTROLLED EXPENSES

- (14) Controlled expenses represent those expenses that form part of the cost of operating an Agency in pursuit of its objectives. Controlled expenses include those assets consumed or liabilities incurred in the process of providing goods and outputs to achieve the Agency's objectives.

- (15) Controlled expenses include:

- (a) wages, salaries and employee entitlements;
- (b) most operating and administration costs;
- (c) depreciation; and

- (d) grants and subsidies where an Agency has discretion as to recipient, value and/or the conditions attaching to the payment of the grant/subsidy. This includes most State grants and subsidies, including Community Service Agreement payments.

ADMINISTERED EXPENSES

- (16) Administered expenses do not form part of the cost of operating an Agency in pursuit of its objectives. Incurring the expense must not decrease an Agency's assets or increase its liabilities.
- (17) Administered expenses include:
 - (a) The payment of Commonwealth grant monies:
 - (i) which are to be transferred to the Consolidated Fund;
 - (ii) which are being passed to a third party under a post box arrangement; or
 - (iii) where an Agency has no discretion as to how the monies are to be distributed. For example, the payment of first homes assistance grants; and
 - (b) The payment of grants that are Reserved by Law. For example, reimbursements to local government for pensioner rate remissions provided.

CONTROLLED ASSETS AND LIABILITIES

- (18) Controlled assets are those where an Agency will determine how the future economic benefit comprising the asset will be deployed in achieving the objectives of the Agency. An Agency is able to deny or regulate access of others to the benefit of those assets.
- (19) Similarly, controlled liabilities are incurred as a result of an Agency's operations and in achievement of an Agency's objectives.

ADMINISTERED ASSETS AND LIABILITIES

- (20) Administered assets and liabilities must be solely and directly related to administered activities and cannot be used to further the objectives of an Agency.

GOODS AND SERVICES TAX (GST)

- (21) GST receivable to the Agency from the Australian Taxation Office must be classified as a controlled asset, except where the majority of transactions and balances of the Agency are treated as administered, in which case GST receivable should be classified as an administered asset.

- (22) GST payable by the Agency to the Australian Taxation Office must be classified as a controlled liability, except where the majority of transactions and balances of the Agency are treated as administered, in which case GST payable should be classified as an administered liability.**

In accordance with Instruction 1002 Goods and Services Tax, agencies must account for the GST on an accrual basis. Also, agencies must manage GST cash flows within their existing global funding allocation by using the balance held within each Departmental Operating Account in the Special Deposits and Trust Fund.

For instruction and guidance in respect of Goods and Services Tax refer to Instruction 1002 Goods and Services Tax.