Policy Directive: compliance is mandatory

Administered Items Policy Directive

Objective file number: 2012-12494
Document classification: PUBLIC-I1-A1
Document developed by: Finance and Corporate Services Division - Finance
Approved at Portfolio Executive on: 23 June 2016
Next review due: 31 May 2021

Summary
The Administered Items Policy Directive has been created to outline the requirements in the life cycle of all administered items. This includes the classification, creation and accounting of an administered item, ensuring all associated funds are disclosed accurately and correctly.

Keywords
Policy directive, item, finance, administered, financial, statements, Administered Items Policy Directive

Policy history
Is this a new policy? Y
Does this policy amend or update an existing policy? N
Does this policy replace an existing policy? N
If so, which policies?

Applies to
All SA Health Portfolio

Staff impacted
All Staff, Management, Admin, Students; Volunteers

EPAS compatible
NA

Registered with Divisional Policy
Yes

Contact Officer

Policy doc reference no.
D0421

Version control and change history

<table>
<thead>
<tr>
<th>Version</th>
<th>Date from</th>
<th>Date to</th>
<th>Amendment</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>23/06/2016</td>
<td>current</td>
<td>Original PE approved version</td>
</tr>
</tbody>
</table>

© Department for Health and Ageing, Government of South Australia. All rights reserved.
Administered Items Policy Directive

Version V1.0
Portfolio Executive Approved
### Document control information

<table>
<thead>
<tr>
<th>Document owner</th>
<th>Group Manager, Financial Accounting, Finance and Corporate Services</th>
</tr>
</thead>
</table>
| Contributors   | Director, Corporate Finance Services, Finance and Corporate Services  
|                 | Director, Financial Accounting, Finance and Corporate Services  
|                 | General Manager, Policies and Procedures, Account Management and Compliance  
|                 | Financial Accounting Manager CALHN, DHA and SALHN  
|                 | Local Health Networks/SA Ambulance Service Site Finance Managers  
|                 | Manager, Divisional Accounting, Corporate Finance Services  
|                 | Manager, Project Accounting, Finance and Corporate Services  
|                 | Manager, Policies and Procedures, Corporate Finance Services |
| Document classification | DOCCONF  
|                         | Public, I1, A1 |
| Document location | SA Health Internet – Publications and Resources  
|                   | SA Health Intranet – Policy Distribution System |
| Reference | FIN_P_2006 |
| Valid from | 23 June 2016 |
| Review date | 31 May 2021 |

### Document history

<table>
<thead>
<tr>
<th>Date</th>
<th>Version</th>
<th>Who approved New / Revised Version</th>
<th>Reason for Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>23/06/2016</td>
<td>V1.0</td>
<td>Portfolio Executive</td>
<td>Original PE approved version</td>
</tr>
<tr>
<td>08/10/2012</td>
<td>V1.0</td>
<td>Director, Corporate Finance Services, Finance and Corporate Services</td>
<td>Oracle Assist</td>
</tr>
</tbody>
</table>
Administered Items Policy Directive

1. Objective

This policy directive has been created to outline the requirements in the life cycle of all administered items. This includes the classification, creation and accounting of an administered item, ensuring all associated funds are disclosed accurately and correctly.

2. Scope

This policy directive is applicable to all SA Health Portfolio employees and any external parties who are involved in the delivery of an administered item.

This policy ensures compliance with Australian Accounting Standards Board (AASB) 1050 Administered Items, Accounting Policy Framework II General Purpose Financial Statements Framework (APF II) and other regulatory requirements.

3. Principles

The following Principles must be followed:

- All administered items must be supported by a Memorandum of Understanding (MOU), as directed by the Minister, or similar agreement;
- The establishment of an administered item must be appropriately authorised;
- Administered items must never form part of the operating activities’ bank accounts; and
- All administered transactions and balances must have separate ‘administered’ financial statements and notes prepared.

4. Detail

Administered items warrant particular attention by a business unit to ensure that agreed conditions are met, and appropriate probity and control measures are implemented. Even though the business unit does not control such items, their effective and efficient administration is an important role.

4.1. Creating an Administered Item

All administered item requests must be consulted with Local Health Network (LHN)/SA Ambulance Service (SAAS) Site Finance Managers, with a draft MOU, or similar agreement, to form the basis of such requests, with all supporting documentation to accompany the MOU, or similar agreement.

Recommendation and endorsement must be received from the Director, Financial Accounting before the request can be progressed for approval, whereby the Director, Financial Accounting reserves the right to decline a request which fails to meet the classification criteria of an administered item. The guidelines to assess whether an item is recognised as a controlled or administered are found in Appendix A.
Approval must be provided by the Chief Executive (CE)/Chief Executive Officer (CEO), or delegate, of the business unit as evidenced with the signing of the MOU, or similar agreement, along with the third party signature.

Administered item funds must be maintained separately and never form part of the operating activities’ bank accounts. This includes establishing a separate cost centre within the administered items business, and reporting arrangement for annual financial statement (AFS) purposes.

Administered items will not be managed as a project in the Oracle Project Module. The business unit must consult with Financial Accounting to establish the pertinent cost centres.

4.2. Accounting for an Administered Item

4.2.1. Administered Revenue

For a transaction to give rise to ‘administered’ revenue, the business unit must not be able to utilise the funds to achieve its own objectives, or for any operational use.

4.2.2. Administered Payments

Amounts paid will be classified as ‘administered’ payments where the business unit has no discretion as to who, or when, the payment can be made. Any indirect costs incurred in collecting the amounts must be regarded as ‘controlled’ costs.

4.2.3. Administered Assets and Liabilities

For an asset or liability to be considered ‘administered’, the business unit must be unable to use the asset/liability to achieve its own operational objectives.

4.2.4. Interest paid on deposit balances

Where interest is paid, there must be a separate deposit account for that administered item, maintained by the Department of Treasury and Finance (DTF). The DTF will determine the legitimacy for maintaining an interest bearing special deposit account and if it is interest bearing, the interest and any associated fees will be calculated by DTF on a quarterly basis, and paid at the same rate as the deposit accounts held with Treasury. All inter-business activity must be assigned to the appropriate cost centre in accordance with the Inter-business Journal Policy Directive.

4.3. Financial Statement Disclosure Requirements

In accordance with APF II 3.13 and the Model Financial Statements, the AFS of each business unit must separately report on those items that are administered on behalf of its controlling entity.

Administered transactions and balances that are significant in relation to the business unit’s overall financial performance or financial position, must have separate ‘administered’ financial statements and notes prepared. Refer to the Model Financial Statements with reference to the administered schedules that are applicable.

Administered items that are insignificant to the business unit’s overall financial performance and position shall be disclosed in the explanatory notes to the statements. The note should disclose, as a minimum, details of dollar amounts and the purpose for which the amounts were received and disbursed.

4.4. Annual Review

An annual review will occur to ensure all administered items are compliant with regulatory requirements.
4.5. Closing an Administered Item

Prior to closing an administered item, all financial obligations must be met and all expenditure recognised. Any remaining balances or budget adjustments/transfers must be resolved.

Closure of administered items must be in accordance with the MOU, or similar agreement, when consensus from all parties has occurred. In instances where administered items are transferred between government portfolios, an updated and amended MOU, or similar agreement, must be provided to the Director, Financial Accounting.

A disclosure note must be made in the administered items schedule of the AFS. When removing items, comparative amounts must also be removed. Refer to the Model Financial Statements.

5. Roles and Responsibilities

5.1. Business Unit Delegate

The business unit delegate will be responsible for:

> providing the Director, Financial Accounting all supporting documentation, including a MOU, Ministers directive, or similar agreement;
> communicating with LHN/SAAS Site Finance Managers and pertinent Financial Accounting Managers to ensure the assessment is correct;
> completing and seeking both the recommendation and approval, as outlined in the policy directive, for all appropriate documents; i.e. MOU, or similar agreement, and attach all supporting documentation;
> for approved administered items, contacting Corporate Finance – Corporate Support, Corporate Finance Services and Financial Accounting, to request the establishment of a separate bank account for the administered item, if necessary;
> communicating with LHN/SAAS Site Finance Managers and pertinent Financial Accounting Managers as to where the administered item will be mapped to, for Oracle; and

5.2. Financial Accounting

Financial Accounting will be responsible for:

> ensuring all appropriate documentation has been received to endorse the decision to create an administered item;
> providing a support service to LHN/SAAS Site Finance Managers in regard to the accounting of administered items;
> preparing the AFS, the notes or schedules, and ensure that they are accounted for correctly in the AFS; and
> initiating an annual review to ensure administered items are compliant with AASB 1050, Treasurer’s Instructions and the Accounting Policy Framework.

5.3. Local Health Networks/SAAS Site Finance Teams

LHN/SAAS Site Finance teams will be responsible for reviewing all supporting documentation of the administered item request and ensuring all information is complete.
5.4. Corporate Support, Corporate Finance Services
If necessary, and on request by the business delegate, Corporate Support will be responsible for creating a separate bank account for the administered item.

5.5. Business Unit CE/CEO
The CE/CEO, or delegate, of each business unit is to approve the establishment of an administered item, as evidenced by a signed MOU, or similar agreement.

6. Reporting
Administered items will be appropriately disclosed in the AFS in accordance with relevant accounting standards and other regulatory requirements.

7. EPAS
N/A

8. Exemption
N/A

9. National Safety and Quality Health Services Standards
N/A

10. Risk
Non-compliance with this policy directive could result in the absence of accountability on the part of SA Health, and could result in transactions being incorrectly identified; leading to misstatement in the AFS and explanatory notes and/or administered item schedules. This may result in adverse commentary from Audit.

11. Evaluation
Complying with this policy directive will ensure administered items are captured and reported in accordance with accounting standards and other regulatory requirements.

12. Definitions
In the context of this document:
- **administered expenses** mainly relate to payments where the business unit is acting solely as an agent for a third party organisation, e.g. distribution of payments where the business unit has no discretion regarding the distribution of those payments.
> **administered item** is an activity whereby the government reporting entity:
> > is unable to use the resources for the furtherance of its own objectives e.g. no discretion to alter the resources provided or determine how those resources are spent.
> > provides a service or function on behalf of the Minister e.g. raising and collecting taxes, providing management and accountability of a fund which is administered by a Minister.
> > **administered revenues** arise where the business unit collects revenue as an agent on behalf of a third party organisation and as such has no control over the application of those funds. In such circumstances the receipt of the revenue does not increase the business unit’s assets nor does it decrease its liabilities.
> > **business unit** is a term used to describe the operational units located within the Local Health Networks, SA Ambulance Service and the Department for Health and Ageing. Business Units may be used to describe an individual hospital within a LHN (e.g. RAH) as well as a Division within the department (e.g. eHealth Systems) or clinical area within a LHN (e.g. cardiology). The operations of a business unit comprise of activities that are ‘controlled’ by the business unit and which related directly to its operational objectives and arise at its discretion and direction;
> > **business delegate** is the principal person who is currently accountable for the administered item. In addition to this person there may be other officers authorised to operate the administered item or receive reports. All officers are required to operate in accordance with the delegations of authority.
> > **controlled** is the capacity of an entity to dominate decision-making, directly or indirectly to enable its objectives to be met and to obtain, maintain, increase or protect the amount of those benefits from its activities.
> > Control normally exists where an agency has significant discretion as to how to apply assets. It is the ability and capacity to benefit from the asset to pursue its objectives, and to deny or regulate the access of others to that benefit.
> > The entity controlling an asset is the one that can, depending on the nature of the asset, exchange it, use it to provide goods or services, exact a price for others’ use of it, use it to settle liabilities, hold it, or perhaps distribute it to owners. Controlled transactions and balances must be recognised in the financial statements.


> **Oracle Journals – Inter business Journal Policy Directive**

14. References, Resources and Related Documents

> **AASB1050 Administered Items**
> **AASB 118 Revenue**
> **APF II General Purpose Financial Reporting Framework**
> **Model Financial Statements**
## APPENDIX

### A Administered Items Decision Making Table

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Activities Overall</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do the activities directly relate to the business unit’s operational objectives?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Do the activities arise at the discretion and direction of the business unit?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Are the activities undertaken or performed without the business unit having any discretion as regards to those activities?</td>
<td>Administered</td>
<td>Controlled</td>
</tr>
<tr>
<td>Do the activities arise on behalf of the Government as a whole?</td>
<td>Administered</td>
<td>Controlled</td>
</tr>
<tr>
<td><strong>Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the business unit control the benefits arising from the transaction and can it utilise the funds to achieve its objectives?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Is further authorisation required to use the proceeds collected by the business unit? (e.g. acting on behalf of government in collecting taxes, fines, user charges etc.)</td>
<td>Administered</td>
<td>Controlled</td>
</tr>
<tr>
<td>Does the revenue increase the business unit’s assets or decrease the business unit’s liabilities?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Is the fee/charge determined by a representative officer of the business unit under legislation?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Does the legislation that provides the authority to collect or raise the revenue require the revenue to be paid to consolidated funds?</td>
<td>Administered</td>
<td>Controlled</td>
</tr>
<tr>
<td>Is the provision of goods/services directly to the payer in return for the payment?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the expense form part of the cost of operating the business unit in the pursuit of its objectives?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Does the expense decrease the business unit’s assets or increase the business unit’s liabilities?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Does the business unit determine how the future economic benefit is to be deployed in achieving the business unit’s objectives?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Can the business unit deny and regulate access to the assets?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
<tr>
<td>Does the business unit have discretion to alter the asset without needing to obtain government approval?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
</tbody>
</table>
## Liabilities

Is the liability incurred as a result of the operations of the business unit in achieving its objectives?  

<table>
<thead>
<tr>
<th>QUESTION</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Is the liability incurred as a result of the operations of the business unit in achieving its objectives?</td>
<td>Controlled</td>
<td>Administered</td>
</tr>
</tbody>
</table>

**Once the above questions have been addressed if the item has been assessed as Administered, the following are to be answered in sequential order:**

1. Are the activities provided purely an outsourced function to the business unit?  
   - Remove from Administered  
   - Go to question 2.

2. Was the business unit established by an Act where the management and accountability resides with a governing authority?  
   - Remove from Administered  
   - Go to question 3.

3. Are there any entities and/or funds for your business where no governing authority is in place?  
   - Administered  
   - Remove from Administered