



Internal Support Services under Section 29.2 of the Financial Administration Act

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Internal Support Services under Section 29.2 of the Financial Administration Act

Introduction

This document describes the accounting treatment for internal support services under section 29.2 of the *Financial Administration Act*.

Section 29.2 of the *Financial Administration Act* authorizes departments to provide internal support services to, and receive such services from, one or more other departments.

The authority of section 29.2 for a department to provide internal support services carries with it an implicit authority for the department to make charges for the services.

Recoveries of costs arising from the provision of internal support services are considered to be departmental revenues. A department receiving such revenues requires legislative authority to expend the revenues to offset expenditures.

References

- [Directive on Internal Support Services](#)
- [Policy on Special Revenue Spending Authorities](#)
- [Section 29.2 of the Financial Administration Act](#)

Accounting Entries

Scenario:

Department A provides internal support services to Department B for \$1,000 under section 29.2 of the *Financial Administration Act*.

Department B - Service Receiver

(a) The entry to record the service provided by Department A.

Financial Reporting Account (FRA)	Amount (\$)	FRA	Authority Code	Object Code
Debit: Operating Expenses	1,000	51321	B11A/B12A	XXXX (see object code table)
Credit: Other Government Department (OGD) Accounts Payable	1,000	21132	R300	6299

FRA coding rationale

Since services were received within the period, operating expenses must be recorded. A corresponding credit is made to OGD Accounts Payable, as the services were acquired internally.

Authority coding rationale

Since this is a legitimate charge against an operating appropriation, it would be recorded against either B11A or B12A, depending on whether the department has a program expenditures vote or an operating expenditures vote. OGD Accounts Payable does not affect the appropriations, thus R300 would be used.

B11A/B12A

Program expenditures vote or operating expenditures vote.

R300

Total (or net, as applicable) amounts of all other assets and of all other liabilities.

Object coding rationale

Depending on the nature of the services acquired, the appropriate economic object under Standard Object 04 - Professional Services should be used (see the following table). Object code 6299 is used to record the establishment of an account payable

Object Code	<i>Financial Administration Act, section 29.2(4)</i>
0402	(a) Human resources management services
0403	(b) Financial management services
0474	(c) Information management services
0475	(d) Information technology services
0404	(e) Communications services
0405	(f) Real property services

0406	(g) Material services
0407	(h) Acquisition services
0890	(i) Other administrative service that is designated by order of the Governor in Council

6299

Net increase or decrease to other liability accounts.

Department A - Service Provider

(b) The entry to record the revenue earned and accounts receivable by Department A

Financial Reporting Account (FRA)	Amount (\$)	FRA	Authority Code	Object Code
Debit : Other Government Department (OGD) Accounts Receivable	1,000	11242	R300	5399
Credit: Services to Other Government Departments (OGD)	1,000	42320	D215	462X

FRA coding rationale

At this point, Department A should recognize the revenue since the amount is known, the risks and rewards of ownership have been transferred to the buyer and the seller has completed all significant acts. A receivable must be set up to record the amount to be received from the OGD.

Authority coding rationale

Since there are no impacts on the authorities for receivables, R300 would be used. The credit entry for the revenues should be made to D215.

D215

User charges for internal support services.

R300

Total (or net, as applicable) amounts of all other assets and of all other liabilities.

Object coding rationale

Depending on the nature of the services provided, the appropriate object code under Reporting Object 462 - Services to Other Government Departments as per section 29.2 of the *Financial Administration Act* should be used (see the following table). Object code 5399 is used to establish an interdepartmental account receivable.

Object Code	<i>Financial Administration Act, section 29.2(4)</i>
4620	(a) Human resources management services
4621	(b) Financial management services
4622	(c) Information management services
4623	(d) Information technology services
4624	(e) Communications services
4625	(f) Real property services
4626	(g) Material services
4627	(h) Acquisition services
4628	(i) Other administrative service that is designated by order of the Governor in Council

5399

Net increase or decrease in accounts receivable.

(c) The amount is received in full through the Interdepartmental Settlement (IS) process.

Financial Reporting Account (FRA)	Amount (\$)	FRA	Authority Code	Object Code
Debit: IS Debit Control Accounts	1,000	64DDD See footnote (**)	0000	9DDD See footnote (***)
Credit: Other Government Department (OGD) Accounts Receivable	1,000	11242	R300	5399

[Return to footnote reference \(**\)](#)

The DDD is the department number of the department providing the services.

[Return to footnote reference \(***\)](#)

The DDD is the department number of the department receiving the services.

FRA coding rationale

The department providing the services would record the receipt by debiting the IS Debit Control Account and crediting the OGD Accounts Receivable.

Authority coding rationale

The IS Debit Control Accounts have no impact on an appropriation, so the authority code must be zero-filled. OGD

Accounts Receivable has no impact on appropriations; therefore, R300 is used.

R300

Total (or net, as applicable) amounts of all other assets and of all other liabilities.

Object coding rationale

To indicate the net impact on accounts receivable, object code 5399 is used. Object code 9DDD is used for interdepartmental settlements and would be used to identify the department that receives the services.

5399

Net increase or decrease in accounts receivable.

9DDD

Interdepartmental settlement.

(d) Now that the revenue has been received, departments that have obtained net vote authority can credit the departmental appropriations (i.e., as responsible revenue).

Financial Reporting Account (FRA)	Amount (\$)	FRA	Authority Code	Object Code
Debit: Other Fees and Charges	1,000	42320	F218	7099
Credit: Other Fees and Charges	1,000	42320	B130 or A5XX	7099

FRA coding rationale

This transaction is strictly recorded for authority purposes only. To ensure there is no effect on FRAs, the same FRA is debited and credited for the same amount.

Authority coding rationale

When a department has authority to respend revenue, it can only be respend when the revenue is actually received (i.e., on a cash basis). To reflect the department's ability to expend the revenues, the cash received is credited to authority code B13A. The debit will be made to authority code F218.

B13A

Revenue credited to the vote (credited to the program or operating vote for the program).

A5XX

Revolving funds authority code.

F218

Contra offset for revenue credited to votes.

Object coding rationale

This is strictly an authority transaction. To ensure there is no effect on objects, the same object code 7099 is debited and credited for the same amount, so it will have a nil effect on objects.

7099

Net increase or decrease in other transactions.

Note: Departments with statutory respending authority are able to spend the amount received by charging expenditures directly against their relevant statutory authority code. It is up to the department to ensure that only amounts collected are spent and that the total amount charged does not exceed the amount eligible to be respend.

All transactions are considered to be internal; therefore, an "I" indicator should be used.