



Issue Date: September 2009	Effective Date: Immediate	Responsible Agency: Comptroller General	Directive No: 703-1
Chapter: Accounting for Expenditures			
Directive Title: EXPENDITURES – CLASSIFICATION AND APPROPRIATION CONTROL			

1. POLICY

Government expenditures are recorded under two classifications: operations and maintenance expenditures, and capital expenditures. The authorization for these expenditures is provided through expenditure budgets approved by the Legislative Assembly. Appropriation control with respect to these approved expenditures is set out in the *Financial Administration Act (FAA)* S.27 to 37.

2. DIRECTIVE

Each expenditure shall be:

- classified as an Operations and Maintenance expenditure or a Capital expenditure;
- pursuant to an appropriation;
- recorded according to generally accepted accounting principles and government accounting policies; and
- in accordance with the following Provisions.

3. PROVISIONS

3.1. Operations and Maintenance

Operations and maintenance expenditures are normally of a recurring or continuing nature, which are required for the delivery of Government programs or services and which do not increase the number, value, original specifications, or life expectancy of assets owned or operated by the Government.

3.2. Capital Expenditures

3.2.1. Capital expenditures include: the expenditure to acquire, construct, develop, or prepare for use tangible capital assets, the cost of betterments made to existing capital assets, capital leases and the cost of intangible capital assets.

3.2.2

Except for items directly attributable to a capital project, any item having an estimated cost less than its capitalization threshold value must be budgeted as operations and maintenance.

Refer to directive 601, Accounting for Tangible Capital Assets for additional information.

3.3. Accountable Assets

The classification of the purchase of an asset as either a capital purchase or an operations and maintenance purchase does not affect whether or not the asset is controllable.

Refer to directive 605-1, Internal Control – Accountable Assets to assess the controllability of any asset and the recording requirements for the asset.

3.4 Appropriation Controls

Adherence to the following appropriation controls enacted under *Part III – Appropriations* of the *FAA* is required in respect of all government expenditures:

- every expenditure must be charged against an approved appropriation, and to a vote, an item and an activity..
- no disbursement may be made from the consolidated revenue fund for an expenditure unless the expenditure is charged to an approved appropriation.
- no expenditure may be made that causes an approved appropriation to be exceeded.
- a Deputy Minister must take all reasonable measures to ensure no expenditure is made in the department that causes an activity budget to be exceeded.



FINANCIAL ADMINISTRATION MANUAL



- where an expenditure is made that causes an activity budget to be exceeded, the responsible Minister must submit a written report with details to the Minister of Finance, who must then submit the report to the FMB by July 31 following the end of the fiscal year; and a report must be presented to the Legislative Assembly, at the same time as the interim financial report, for each instance where an expenditure exceeded the activity budget by \$250,000.