



99/004

**Comptrollership
Function
(Authority
No. 99/004)**

**Fonction de
contrôleur
(Autorisation
n° 99/004)**

**Records Disposition
Authority No. 99/004**

**Autorisation de disposition des
documents n° 99/004**

issued to

délivrée aux

**Government Institutions subject to the
National Archives of Canada Act
for
Common Administrative Records
related to
the Comptrollership Function**

**institutions fédérales assujetties à la
Loi sur les Archives nationales du Canada
pour
les documents administratifs communs
se rapportant à
la fonction de contrôleur**

The National Archivist of Canada, pursuant to subsection 5(1) of the *National Archives of Canada Act*, consents to the disposal of all common administrative records described in the appended Functional Profile when institutions subject to the Act decide that these records have no remaining operational or legal value. All records subject to this Authority may be destroyed or otherwise disposed of upon the expiry of the retention periods established for them within federal government institutions.

Conformément au paragraphe 5(1) de la *Loi sur les Archives nationales du Canada*, l'Archiviste national du Canada accorde son consentement à l'élimination des documents administratifs communs décrits dans le Profil fonctionnel qui figure en annexe lorsque les institutions assujetties à la Loi jugeront que les documents ne possèdent plus de valeur administrative ou juridique. Les institutions fédérales peuvent détruire ou se départir des documents visés par la présente autorisation à l'expiration des délais de conservation qu'elles leur auront assignés.

Appendices: Terms and Conditions
Functional Profile

Annexes : Modalités
Profil fonctionnel

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Date

APPENDIX I
TERMS AND CONDITIONS
for the Disposition of Common Administrative Records
in support of
the Comptrollership Function
of
the Government of Canada

A. KEY DEFINITIONS

Common Administrative Records - Records created, collected, or received by a federal government institution to support and document internal administrative functions and activities *common to or shared by all federal government institutions* (for example, materiel management and human resources management).

Operational Records - Records created, collected, or received by a federal government institution to support and document business functions, programmes, processes, transactions, services, and all other activities *uniquely or specifically assigned to that particular institution* by legislation, regulation, or policy.

Office of Primary Interest (OPI) - The federal government institution – department, agency, board, office or commission – to which authority, responsibility and accountability to perform a particular function on behalf of the Government of Canada has been specifically assigned by legislation, regulation, policy or mandate.

Comptrollership Function (of the Government of Canada) - Encompasses the functions, sub-functions, processes, activities, and transactions of administrative business concerning the management of financial resources commonly conducted in and across all federal government institutions to facilitate the application of operational policies and the delivery of programmes and services. The main legislation underpinning the Comptrollership Function includes the *Financial Administration Act* and the *Auditor General Act*. For the purposes of identifying and explaining records disposition requirements, the Comptrollership Function has been divided into the following three sub-functions:

- **External Audit,**
- **Financial Management,** and
- **Program Management.**

(For a more complete description of each sub-function, see the Functional Profile in Appendix II.)

B. SCOPE OF THE AUTHORITY

- Authority No. 99/004 applies to **all** common administrative records in support of the Comptrollership Function of the Government of Canada (i.e., records documenting common administrative business functions, sub-functions, programmes, transactions, and activities) regardless of how the records are organized or internally controlled within each institution. It entirely supersedes Schedule 4 (Finance) of the General Records Disposal Schedules (PAC 86/001), and covers many records related to Program Management not previously covered.
- Authority No. 99/004, including specific archival limitations and exclusions, applies to **all** institutions subject to the *National Archives of Canada Act*, whether or not their Comptrollership Function activities are exempted from provisions of the *Financial Administration Act*, or from following Treasury Board or other central agency policies and guidelines governing Comptrollership activities. For example, some institutions may not be required to follow central agency policies concerning the Comptrollership Function, yet these institutions are subject to the *National Archives of Canada Act*.
- Authority No. 99/004 applies to electronic records, databases, office systems - and any related technical documentation or contextual metadata information - created in support of the Comptrollership Function in all government institutions. This Authority does not apply, however, to electronic records, databases, or offices systems - or any related technical or contextual metadata information - created by government institutions in support of any function uniquely or specifically assigned to them by legislation, policy, or mandate within their operational context or as an Office of Primary Interest.
- The scope of Authority No. 99/004 covers all those subjects and records found in Schedule 4 of the GRDS (PAC 86/001). In this Authority, the Comptrollership Function has been divided into the following three sub-functions:
 - A) **External Audit** includes any independent examination and assessment exercised by a party external to the institution being audited, and one mandated to carry out such assessments of financial and program management defined by measurable results;
 - B) **Financial Management** includes financial reporting, classification of accounts, budgetary control, financial information systems, accounting and control of expenditures, accounting and control of revenue, accounting for assets and liabilities, accounting for special purpose funds, and revolving funds; and
 - C) **Program Management** includes expenditure management and supporting activities, capital plans and projects, agreements and arrangements with other levels of government, risk management, external user charges, alternative service delivery, and the review activities which incorporate both internal audit and program evaluation.

From this brief description of the Program Management sub-function, it is recognized that many records related to Program Management not previously covered in the older GRDS are now covered in Authority No. 99/004.

- Institutions which have specific operational mandates as Offices of Primary Interest (OPI) for aspects of the Comptrollership Function shall not apply Authority No. 99/004 to their operational records concerning those aspects of the Comptrollership Function. This restriction presently applies explicitly to the Treasury Board and its supporting Secretariat(s), the Department of Finance, the Privy Council Office, the Auditor General, and Public Works and Government Services Canada. These agencies can apply this authority only to their internal *common administrative records*. All government functions, subjects, record types, and records excluded from the scope of Authority No. 99/004 or any other Multi-Institutional Disposition Authority must be covered by Institution-Specific Disposition Authorities granted to individual federal institutions in the course of the Multi-Year Disposition Plan (MYDP).
- Authority No. 99/004 does not apply to record series or groupings or collections which mix common administrative and operational records.
- Authority No. 99/004 does not supersede other Authorities requiring the preservation of archival records. It should be applied *after* the Transitory Records Authority, any operational Records Disposition Authority relating to a specific institution (also referred to as an Institution-Specific Disposition Authority or ISDA), and any Multi-Institutional Disposition Authority (MIDA) for generic groups of records (such as posters, records from a minister's or deputy head's office, and records generated by imaging systems). Some operational records Authorities (for example, ISDAs) also include the disposition of some common administrative records. The Terms and Conditions for the application of these ISDAs remain in effect.
- It is incumbent upon each government institution to understand and apply generally any legislation concerning the retention and disclosure of information, and more specifically its extant legislation. Each government institution is required to determine appropriate retention periods for its records, including those common administrative records covered by Authority No. 99/004.

C. AUTHORIZATION TO DESTROY AND EXCLUSIONS

C.1 Authorization to Destroy

1.1 All records created, collected, or maintained in any medium by a federal institution in support of the Comptrollership Function of the Government of Canada may be destroyed *provided that*:

- the records are not operational in nature;
- the records are not of a mixed operational and administrative character;
- the records do not support an administrative function in an Office of Primary Interest;

- the records are not otherwise excluded from the application of Authority No. 99/004 by virtue of the definitions and scope statement contained in this Appendix;
- the records are not anterior to 1946; and
- the retention periods of the records - established by the institution according to its legal and operational requirements - have expired.

1.2 A strict application of the definitions and exclusions above, the eight (8) specific exclusions listed in section 2.1 below, and a prioritized use of various Records Disposition Authorities will ensure that there are no records of archival value amongst the remaining common administrative records in support of the Comptroller Function in institutions subject to the *National Archives of Canada Act*.

C.2 Exclusions

2.1 The eight specific exclusions to the general authorization to destroy are as follows:

- **external audits** performed by outside consultants (internal audits);
- **trust accounts** related to mandated operational functions;
- **major capital plans and projects** (planning and executing only);
- **payroll** activity recorded on the **employee personnel file**;
- **internal audit** and **program evaluation** final report files within an individual institution as part of its Review activity;
- **alternative service delivery**;
- **agreements with other levels of government**, where the institution plays the role of Office of Primary Interest; and
- **transfer payments, grants, and contributions**.

2.2 Apart from the general authorization to destroy (C.1.1) and eight specific exclusions (C.2.1), records within the scope of Authority No. 99/004 may be destroyed without further consultation with the National Archives. Before disposing of any record related to these eight specific exclusions, consult the expanded description of the specific exclusion below.

C.3 External Audits

3.1 Where an audit is executed by a central agency, or by any audit service offered by a common service agency, the institutional files related to the audit may be disposed of under Authority No. 99/004.

3.2 Where an audit is conducted by private sector consultants hired by the individual institution the records cannot be disposed of using Authority No. 99/004. These records must be disposed of through an Institution-Specific Disposition Authority.

C.4 Trust Accounts

4.1 Trust accounts involving long-term or indeterminate fiduciary responsibilities which affect the rights or entitlements of citizens and which arise from the mandate of an institution; records documenting the policies applied to the administration of such accounts; the trust agreements; and the audited annual statements of such accounts are all excluded from the scope of Authority No. 99/004 and must be disposed of through an Institution-Specific Disposition Authority.

4.2 The restriction in section 4.1 above does not apply to the disposition of interim financial statements and accounting documentation such as original receipts, vouchers, or ledgers for any trust account, nor does the restriction apply to short-term trust accounts that arise from the administration of contracts related to administrative activities of an institution or the pay or other financial aspects of Human Resources Management Function.

C.5 Capital Plans and Projects

5.1 Records related to **contracts and contracting** activities may be disposed of under Authority No. 99/004, unless they relate to the planning and executing of **major capital plans and projects**. Records documenting the policy development, planning, and evaluation of such plans and projects are excluded from the scope of Authority No. 99/004, and should be disposed of through an Institution-Specific Disposition Authority. For the purposes of this Authority, any capital plan and project with a budget equal to or greater than \$10 million is deemed to be a **major capital plan and project**.

C.6 Payroll

6.1 Payroll is largely administered as part of the Human Resources Management Function and portions of the payroll records such as pay transactions on the **personnel employee file** are excluded from the scope of Authority No. 99/004, and must be disposed of under Authority No. 98/005.

6.2 Payroll records (such as pay lists or payroll registers) which feed into financial administrative systems, including the central accounts and pay system administered by Public Works and Government Services, are disposed of under Authority No. 99/004.

C.7 Internal Audit and Program Evaluation — Review Activity

7.1 Within an individual institution, the review activity includes internal audit and program evaluation performed by review officers and not operational managers. Final internal audit and program evaluation reports together with files documenting management response,

corrective action, and follow-up, are excluded from the scope of Authority No. 99/004 and must be disposed of through an Institution-Specific Disposition Authority.

- 7.2 Internal audit and program evaluation records and working files documenting methodology, procedures, interdependent liaison, and interaction with central agencies are disposed of under Authority 99/004.

C.8 Alternative Service Delivery

- 8.1 Alternative service delivery is primarily a program management support activity related to mandated operational functions. Records of this activity which document operational policy, policy development, planning, and program assessment are excluded from the scope of Authority No. 99/004. However, all alternative service delivery records which document common administrative functions may be disposed of under Authority No. 99/004.

C.9 Agreements with other levels of government

- 9.1 Where an institution acts as an Office of Primary Interest, records documenting agreements with other levels of government are excluded from the scope of Authority No. 99/004. Such records must be disposed of through an Institution-Specific Disposition Authority.

C.10 Transfer Payments, Grants and Contributions

- 10.1 Records documenting the mandated operational functions of individual institutions which administer transfer payments, grants, and contributions (conditional grants) are excluded from the scope of Authority No. 99/004. Such records must be disposed of through an Institution-Specific Disposition Authority.
- 10.2 Records documenting only the financial transactions related to transfer payments, accounting and control of expenditures and/or revenues, payment verification, budgeting and budgetary control of programs, transfer payments, grants and contributions, are considered to be *common administrative records*, and may be disposed of under Authority No. 99/004.

APPENDIX II
FUNCTIONAL PROFILE
of
the Comptrollership Function
of
the Government of Canada

The purpose of the Functional Profile is to facilitate the application of the Terms and Conditions (Appendix I) relating to the disposition of common administrative records created, collected, or maintained by the Government of Canada in support of the Comptrollership Function. It consists of a template describing the three sub-functions of the Comptrollership Function and each sub-function is further divided into tasks, activities, and processes as appropriate. As an aid to understanding the sub-functional divisions under the Comptrollership Function, a table of contents of the Functional Profile is provided below.

COMPTROLLERSHIP FUNCTION

A. EXTERNAL AUDIT (sub-function)

B. FINANCIAL MANAGEMENT (sub-function)

- B.1 Financial Reporting and Planning
- B.2 Classification of Accounts
- B.3 Budgetary Control
- B.4 Financial Information Systems and Controls Development
- B.5 Accounting and Control of Expenditures
- B.6 Accounting and Control of Revenues
- B.7 Accounting for Assets and Liabilities
- B.8 Accounting for Special Funds and Accounts
- B.9 Revolving Funds

C. PROGRAM MANAGEMENT (sub-function)

- C.1 Expenditure Management System
- C.2 Capital Plans and Projects
- C.3 Agreements and Arrangements with Other Levels of Government
- C.4 Risk Management
- C.5 External User Charges
- C.6 Alternative Service Delivery
- C.7 Review

A. EXTERNAL AUDIT

Description: As the first of the three sub-functions of the Comptrollership Function, an **external audit** related to financial resources is an activity whereby an independent outside party examines and assesses the financial records and accounts of an organization. This party expresses an opinion as to whether financial records present information fairly, accurately, and completely, in accordance with stated accounting policies and authorities consistent with those of the preceding year. An external financial audit may also evaluate the adequacy of internal controls and management information systems, the overall effectiveness of the financial performance of an organization (or program or business line), and/or the extent to which money has been expended with due regard to economy or efficiency, the latter being known as “comprehensive” or “value for money” audit criteria. (For Internal Audit, see C.7.)

The central agency performing this function is the Office of the Auditor General, but the Secretary of the Treasury Board also acts as the Comptroller General and conducts numerous specialized compliance audits of aspects of financial management and internal control mechanisms.

(Other central agencies perform external audits in relation to non-financial functions and activities. Both financial and non-financial audits may sometimes be called “monitoring, or performance agreement reconciliations.”)

- Auditor-General audits and investigations, whether or not they are of a specific nature to the institution, include any interaction between an institution and the Office of the Auditor General.
- Treasury Board Secretariat and the Comptroller General conduct specialized compliance audits of financial management or program evaluation sub-functions. They require numerous periodic reports and conduct numerous specialized compliance audits related to internal control procedures and structures.
- Audit and internal audit services, performed by Public Works and Government Services (PWGSC), cover aspects of Comptrollership and are not usually related to comprehensive program evaluation.
- External private sector consultants contracted by an institution (aside from audit service functions of PWGSC), perform audits or evaluations of the financial records of an operational program or of financial systems. *(Careful application of the Terms and Conditions under section C.3 for Authority No. 99/004 is required.)*
- Non-financial audits should not be treated as relating to the Comptrollership Function. *(Careful application of the Terms and Conditions under sections C.3 and C.7 for Authority 99/004 is required.)*

B. FINANCIAL MANAGEMENT

The second of three sub-functions under the Comptrollership Function, Financial Management is divided into activities related to: reporting and planning, classification of accounts, budgetary control, financial information systems development, accounting and control of expenditures, accounting and control of revenues, accounting for assets and liabilities, accounting for special purpose funds, and revolving funds.

B.1 FINANCIAL REPORTING AND PLANNING:

Description: This includes the financial and performance reporting activities below.

- **Planning** - Under Comptrollership, planning is an exercise in financial management that incorporates performance data related to measured results against the main programs and business lines of the institution.
- **Costing** - A specialized form of research-based cost accounting activity that measures costs on the basis of predetermined standards or assumptions, costing also incorporates comparisons of actual costs incurred as a measure of efficiency and effectiveness. The approach may be applied in relation to cost recovery (with regard to user charges), determination of most efficient ways of delivering a service in-house compared to delivery alternatives (make or buy alternatives), back-up for developing service standards, and cost/benefit analysis of alternative approaches. (See section C.5)
- **Financial reporting activities** - There are two main types of reports:
 - Financial management reports, relating actual and planned costs to outputs are prepared for responsibility centre managers and senior managers to permit them to control costs in relation to outputs;
 - Separate financial reports on disbursements, undischarged commitments, and free balances that are classified by authority are prepared for financial officers with payment authority to enable them to control cash flow.
- As measured by the information content or data contained in the reports, there are three types of reporting activity: receipts and disbursements, budgetary plans, and undischarged commitments and liabilities which may be prepared by or for responsibility centre managers, supervisory managers (senior managers), staff advisors, financial officers, and financial support staff.

Other reporting activity associated with budgetary control includes:

- Responsibility Centre reports, which arise from the delegation of spending authority to responsibility centre managers, the reporting structure generating lower level reports, and aggregated higher level reports for senior managers;

- Activity reports, at the level of activity elements within a given appropriation or allotment, complement senior management's general planning activities by incorporating input from financial officers and performance results reporting against the main programs and business lines;
- Appropriation and allotment reports, which represent financial data related to authority structure, circulate to officers with payment authority to ensure that they remain within the sub-allotments for which they are responsible, and are provided to the Receiver General to produce the Public Accounts;
- Economic, source, and class object reports which present financial data in relation to the smallest government-wide categories of standard object;
- Central accounts reports, which are required to permit reconciliation of central and institutional accounts and for government-wide reporting among other control functions. In the future, the transmission to the Receiver General of rolled up figures already reconciled within an institution will be the new focus of activity;
- Performance measurement, together with operational data, is an increasing component of the financial reporting, analysis, and planning activities, most often incorporating financial data in relation to non-financial data;
- Variance reporting, which is the specialized form of budgetary control reporting performed on an exception basis by responsibility centre managers to identify deviations with implications for program objectives and most often associated with procedures of control exercised on a responsibility centre basis. (See B.3)

B.2 CLASSIFICATION OF ACCOUNTS

Description: The classification of accounts for expenditures, revenues, and changes in assets and liabilities provides the framework for identifying, aggregating, and reporting financial transactions, which provides the basis for internal institutional planning, resource allocation, management control, accounting and evaluation purposes as well as the statutory requirement for central agencies to maintain records and report to Parliament. The classification of accounts for expenditures conforms to four separate arrangements by: authority (appropriation, vote, allotment, sub-allotment), purpose (program, activity or business line, sub-activity), responsibility (Ministry, Department, Institution, Branch, Division), and standard object (a complex set of objective categories that define the nature of the goods or services acquired, or source, revenue, cause of increase or decrease in financial claims and obligations).

- The classification of accounts at the institution level is subject to the requirements and authority of Treasury Board and Department of Finance (and indirectly Statistics Canada) as set out by statutory provisions of the FAA. The activity involves two dimensions that go beyond following Treasury Board directives; first, institutions elaborate on central coding for classification purposes to facilitate their more detailed internal control requirements, and

second, institutional classification of accounts makes provision for records of assets and liabilities of the Government of Canada in the Public Accounts.

- Accounts coding is an activity associated with classification of accounts, integrating the evolving central coding conventions into existing automated systems, and the development and elaboration of supplementary institutional coding for internal purposes. Fitting a given expenditure into the correct classification and coding is the most common activity at the transactional level. (See B.4)

B.3 BUDGETARY CONTROL

Description: Budgetary control relates to all those internal institutional activities designed to ensure that cash expenditures, during a given fiscal year, do not exceed the maximum expenditure provisions established by Parliament in appropriation acts or established by any related subordinate authorities, including Governor General's special Warrants when Parliament is not in session. The appropriation acts specify the maximum permissible cash expenditure for separate expenditure categories known as votes or appropriations which are further divided under Treasury Board authority into narrower expenditure categories known as allotments which in turn may also be divided into sub-allotments under the authority of the Deputy Head of an institution. In addition, when Parliament is not in session, it is possible that appropriation limits may be extended by special warrants. Budgetary control encompasses the procedures and activities designed to ensure that all expenditures conform to these maximum permissible amounts and that the current free balance available will be transparent to all responsible managers.

- (Cash) Control appropriations and allotments - To control cash expenditures in relation to allotments and sub-allotments, records must be maintained for each allotment or component thereof. The opening balance of each allotment is recorded and before cheque requisitions are forwarded or journal entries posted, the balances are reduced by the amount of the requisition to ensure that the amounts of cash authority remaining can be determined. Depending on the level of decentralization, these procedures will require multiple levels of aggregation and then reconciliation of the different statements. A subsidiary activity related to cash control is cash forecasting to ensure that there will be adequate resources to meet actual requirements and to permit adjustments or, in the case of inadequate funds, the submission of supplementary estimates to cover shortfalls consistent with approved program activity.
- Commitment control is a formal accounting mechanism related to cash control and forecasting that involves the segregated recording of obligations to make future payments at the time they are foreseen in order to ensure that commitments will not be made that cannot be discharged out of funds provided for the year.
- Control on a responsibility centre basis encompasses all those procedures designed to ensure that those who initiate actions resulting in expenditures have adequate means of controlling their operations in relation to the plans and to permit central financial officers to verify that the responsibility centre managers are operating within their budget.

- Variance reporting is the specialized form of interim budgetary control reporting of results against approved plans to explain deviations and alternative courses of corrective action outlined where appropriate. This allows the manager to inform higher levels of management of changing situations which may have an impact on program objectives. (See B.1)
- Budgetary adjustments incorporate flexibility for responsibility centre managers in reallocating resources among activities within a sub-allotment or against reporting objects and maintaining strict accountability for total resources allocated.

B.4 FINANCIAL INFORMATION SYSTEMS AND CONTROLS DEVELOPMENT

Description: Under the *Financial Administration Act*, departments are responsible for establishing and maintaining systems to account for, control, and report on financial, human, and physical resources. These systems include the main departmental accounting systems as well as all systems linked with the authorization and recording of expenditures, the collection and recording of revenue, the accounting for custody and use of physical assets, and the collection, recording, and reporting of financial or related non-financial information used in evaluating the efficiency of departmental projects and programs. Financial systems include both financial administrative (accounting) systems and program related financial systems (any system used by a responsibility centre manager to execute his/her delegated financial responsibilities). A financial information system may be entirely paper based or electronic.

- Interface of institutional and Receiver-General systems - This interface is designed to create completely compatible, integrated systems based on a clear division of function.
- Technical coding procedures imposed by automation - Coding conventions are developed to be compatible within an integrated automated systems environment to central agency requirements. Departmental financial officers develop internal coding conventions covering such optional accounts as cost element, cost account, operation, project, process, element, task, item, job, committee, geographical region, consumer or product group, individual, or any other criteria that may be useful.
- Controls in Financial Systems - It is necessary to have controls to ensure that transactions are chargeable to the appropriate responsibility centre, accounting office, or government institution. In an automated system environment, controls are an integral part of a system to ensure that all transactions are entered and processed accurately, and that only properly authorized information will be accepted by the system.
- (Automated) financial systems development - This activity is part of developing automated systems which support financial administration and accounting activities closely integrated and coordinated with central accounting systems, and with accounting principles and control procedures set by statutory and regulatory authorities and central agencies.

B. 5 ACCOUNTING AND CONTROL OF EXPENDITURES

Description: An **accounting** system is a device for classifying and storing financial data according to certain principles until required. All accounting systems involve three activities: preparing and filing source documents to execute, identify, and substantiate transactions; recording transactions in books or other records of original entry to provide a longer term, semi-permanent record for future processing purposes; posting transactions to ledgers where transactions of a similar nature are accumulated and readily available for reporting or analysis. Most journals of transactions and ledgers are maintained in automated format. The criteria for the ledger structures is determined by the classification of accounts and four accounting methods commonly known as cash, commitment, accrual and cost-based. These basic accounting activities form the core of the transactional or financial administrative end of the financial management sub-function. Controls are the conventions and habitual divisions within the authority structure to ensure accuracy and probity in financial administration.

- Delegation of financial authorities - Responsibility for the control and spending of public money is placed on ministers and deputy heads by Parliament through appropriation acts, and the *Financial Administration Act*. It is necessary for them to authorize responsible officials to exercise these responsibilities on their behalf. Accounting conventions require a complete separation between a given transaction of expenditure (spending) authority, assigned to responsibility centre managers, and payment (cheque issue) authority assigned to financial officers. Spending authority is divided into three sub-authorities: for expenditure initiation authority, commitment authority, and authority to confirm performance and price. Additional tasks associated with this activity include granting and communicating authorities, identifying incumbents of positions with delegated signing authority, submitting specimen signatures and delegation documentation to the Receiver General, and reviewing cyclically all financial authorities.
- Accounts verification and payment requisition process - Paying accounts following control procedures under the *Financial Administration Act* and the Payments and Settlements Regulations of 1997. Probity is maintained through four basic payment related activities including confirmation of contract performance, account verification, cheque requisition, and cheque requisition signature.
- The set of basic activities required to complete the initial verification of accounts includes the accumulation of all documents related to the receipt of goods or services. This phase is followed by a series of verifications. The initial verification process is then tested by a separate financial officer who certifies that the payment is for the purposes of the appropriation as voted by Parliament and any other relevant authority. After an account is verified for payment, the department may requisition the payment from the Receiver General.
- Other activities or elements associated with accounting and control of expenditures include the specialized financial administration of payroll; the financial aspects of contracts and contracting; grants, contributions (transfer payments); accounting for inventories; control of cheques; interest charges and penalties; institutional banking, including imprest accounts

(outside the Consolidated Revenue Fund); accountable cash advances, including travel advances and petty cash (another form of imprest account); corporate credit cards; interest charges and late penalties, *ex gratia* payments and other claims, transfers of goods and services between budgetary appropriations, assigned crown debts and payments, and accounting for payables at the end of fiscal year. (*Careful application of the Terms and Conditions under sections C.5, C.6, and C.10 of Authority No. 99/004 is required.*)

B.6 ACCOUNTING AND CONTROL OF REVENUES

Description: The accounting and control of revenues activity has the same components as the accounting and control of expenditures activity. An accounting system classifies and stores financial data, and involves three main activities: preparing and filing source documents to execute, identify, and substantiate transactions; recording transactions in books or other records of original entry to provide a longer term record; and posting transactions to ledgers for reporting or analysis. Most ledgers and journals of transactions are maintained in automated format. The criteria for the ledger structures are determined by the classification of accounts and four accounting methods known as cash, commitment, accrual, and cost-based. Controls ensure accuracy and probity in financial administration. Accounting and control of revenues is the activity applying accounting principles to revenues and accounts receivable as they relate to the various revenue classifications, both public and non-public money, budgetary and non-budgetary revenues, and tax and non-tax revenues.

- Internal control over revenue and accounts receivable requires: the issuance of accounts receivable claims whenever cash is not collected prior to the provision of goods and services; the corroboration that the amounts claimed are correct; action to collect all claims; mechanisms to ensure that claims are not removed from the departmental records until paid or deleted through deletion procedures for uncollectible accounts; deposit of all monies in the Consolidated Revenue Fund; mechanisms such as the use of subsidiary and control accounts to prevent and/or expose instances of error, fraud and omission; and periodic reports to summarize income and accounts receivable.
- Settlements and transfers of costs between programs or votes may be made through journal vouchers or the inter-departmental settlement system. This activity constitutes a specialized form of claiming revenue and receipts.
- The claiming of revenues and receipts activity relates to: forms of settlement, acceptance of credit cards in payment of fees, granting of credit, invoicing, regulation of non-cash credits and adjustments, and procedures for linking financial and operational records related to the provision of fee for service activities.
- Segregation of duties - Responsibility for the control and receipt of public money is placed on ministers and deputy heads by Parliament through the Department of Finance annual White Paper, and the *Financial Administration Act*. Deputy heads authorize officials to exercise these control responsibilities on their behalf, requiring a separation of duties in regards to a given transaction. In the case of revenues, the key segregation of duties distinguishes among three activities relating to cash handling, accounts receivable

maintenance (control of serially numbered forms, entries in the subsidiary and general ledgers, preparation of trial balances, monthly statements, follow-up on delinquent accounts), and credit granting (order processing, preparation of shipping or work order, credit authorization, records of shipping or work performed, and invoicing).

- Reconciliation - At the central, divisional, and local levels, sales or fees for services are totalled and balanced to cash sales and sales on account; accounts receivable to sales on account and receipts; and reported sales against inventory and level of production or activity. Current results are compared to established patterns.
- Administration of price structuring (external charges) for service to the public - Under the *Financial Administration Act*, user fees are fixed by Order-in-Council on the recommendation of Treasury Board or on a delegated basis by Ministers, where authorized by legislation or Treasury Board. User fees involve two sets of activities: policy setting, and the administrative accounting for such fees. (The policy review side of user fees is treated separately as a component of program management. See section C.5)
- Accounts receivable - Invoices for goods and services provided and all other amounts owing are recorded in the accounts of a department. Accounts are maintained at two levels: at the billing collection centre, as subsidiary control account, and in the principal accounting systems, as a general ledger control account.
- The collection of accounts receivable and overdue accounts represents the activities designed to ensure the payment of debt, including invoicing, monthly statements, and supplementary actions.
- Claims arising from defalcation by public officers are a special claim on behalf of the Crown.
- The receipt and deposit of public money are governed by the procedures below:
 - ▶ the maintenance of a register of collection and receipt of all public money;
 - ▶ the creation and maintenance of systems to ensure the physical security of public money; and
 - ▶ the transfer of all public money to the Receiver General.
- The deletion of debts is a procedure by which bad debts or other assets are written off or forgiven.
- Year-end procedures refer to the practices ensuring monies received are credited to the correct fiscal year.

B.7 ACCOUNTING FOR ASSETS AND LIABILITIES

Description: Assets (such as loans, advances, foreign exchange, cash or cash in transit, and virtually any account receivable) are the property and claims against debtors that the government may apply to discharge its liabilities (financial obligations to be paid in the future). Accounting for assets and capitalization of fixed assets is an activity of accrual accounting.

- Accounting for assets is the financial management procedure for keeping track of the values of these assets, and not the inventory tracking of physical assets.
- Valuation of recorded assets – Senior financial officers make a year-end preliminary assessment of the collectibility and value of the loans and advances which they administer. After review by the office of the Comptroller General (Treasury Board Secretariat), they arrange for the adjustment in the Accounts of Canada and hence the *Public Accounts*.

B.8 ACCOUNTING FOR SPECIAL FUNDS AND ACCOUNTS

Description: Accounting for special funds and accounts is similar to general accounting associated with expenditures and revenues. Segregated special purpose accounts are diverse with only a few involving a deposit account separate from the Consolidated Revenue Fund. Deposit accounts and monies are held in the Consolidated Revenue Fund. A separate special fund that is segregated is the common petty cash account maintained for quick settlement of certain kinds of expenses. Other related segregated accounts may include floats granted for Institutional Bank accounts, standing travel advances or standing advances in general.

- Loans and advances are a special category of accounts receivable, subject to accounting, control, and records procedures similar to accounts receivable. They are subject to supplementary requirements related to statutory authorities under which the loans and advances are made.
- Deposit accounts include security deposits, advance payments for services, and contributions towards the cost of joint ventures and cost-shared projects.
- Other specified accounts are gifts, bequests and donations or revenue earmarked by statute for a particular purpose, independent of the estimates process.
- Trust accounts include another diverse set of special purpose accounts that may arise from statute, trust treaty or contract; some involve long-term fiduciary responsibilities arising from mandated institutional activity (which may also impact on fundamental rights of citizens), others involve short-term or transient arrangements, but still arise from mandated activity, and the remaining arise from short-term administrative arrangements relating to personnel matters or contracting activities with outside parties. (Many trust accounts amount to segregated Revenue Trust Accounts governed by the *Revenue Trust Account Regulations*;

they are established to deal with non-public money that does not belong to the Crown and is deposited in a separate account arranged by the Receiver General.) (*Careful application of the Terms and Conditions under section C.4 for Authority 99/004 is required.*)

B.9 REVOLVING FUNDS

Description: Revolving funds operate on the basis of a continuing or non-lapsing authorization by Parliament to draw on the Consolidated Revenue Fund for working capital, capital acquisitions, and temporary financing of accumulated operating deficits of an operation or program that is funded by users.

C. PROGRAM MANAGEMENT

This is the last of the three sub-functions of the Comptrollership Function. Program Management is the integrated approach to program planning and financial management. Program Management is connected to budgeting and related accountability and control standards. It operates through the Expenditure Management System (EMS). There are five Program Management activities that complement and feed into the EMS: capital plans and projects, agreements and arrangements with other levels of government, external user charges, risk management, and alternative service delivery. These five activities may be the object of **Review**. In addition, the Program Management sub-function is complemented by the independent review activity, which incorporates the activities of internal audit, program review, and performance monitoring.

C.1 EXPENDITURE MANAGEMENT SYSTEM (budgeting, program planning, and resource allocation)

Description: The Expenditure Management System (EMS) includes decision making, reporting, and consultation processes involving three separate levels of the executive offices: departments, central agencies, and the Cabinet with its committees, together with Parliament and its Standing Committees. This involves priority setting and planning, the budget setting process (producing the estimates and Parliamentary Appropriation Bills) and a separate reporting and accountability cycle, all part of ongoing program review, and results-oriented performance standards.

The principal activities of the EMS are:

- the receipt and review of the Treasury Board Call Letter for Annual Reference Letter Updates (ARLUs);
- the production of an annual reference level update (formerly MYOP) which triggers the internal budgetary and work planning process down to the responsibility centre;
- the preparation of the original institution's estimates submission;
- the revision of the estimates proposal in response to Treasury Board input;
- the final production of the institution's *Estimates* Part II;

- the Production Report on Plans and Priorities (Deputy Head responsibility) which replaces the older *Estimates* Part III;
- the preparation of supplementary estimates submissions;
- the preparation and revision of the Planning, Reporting, and Accountability Structure (PRAS), replacing the Operational Planning Framework;
- the preparation of the institution's annual Business Plan for Treasury Board review;
- the preparation of the fall Performance Report (supplementing the old *Estimates* Part III); and
- responding to Parliamentary review of the Plans and Priorities and Performance Reports.

(Careful application of the Terms and Conditions under section B. for Authority No. 99/004 is required.)

C.2 CAPITAL PLANS AND PROJECTS

Description: The planning and management of capital projects are designed to meet the requirements of expenditure management for ongoing review, and changes to programs and plans. A capital project may acquire or improve a capital asset through construction, purchase, lease/purchase, or lease. For the purposes of Authority No. 99/004, **major capital plans and projects** are defined as any capital plan and project with a budget equal to or greater than \$10 million. *(Careful application of the Terms and Conditions under section C.5 for Authority No. 99/004 is required.)*

C.3 AGREEMENTS AND ARRANGEMENTS WITH OTHER LEVELS OF GOVERNMENT

Description: Operational and common administrative functions may be affected by agreements with other levels of government. Such agreements may involve future commitments of funds and/or receipt of payments, both of which are subject to procedures for accounting and control of expenditures and/or revenues, budgeting and budgetary control. Institutions playing a formative role in developing, creating or interpreting agreements are conducting operational activities as Offices of Primary Interest. Purely financial activities of accounting and control of expenditures and/or revenues, budgeting and budgetary control that derive from an agreement with another level of government are common administrative in nature. *(Careful application of the Terms and Conditions under section C.9 for Authority 99/004 is required.)*

C.4 RISK MANAGEMENT

Description: Risk management is part of the planning process, and analyzes potential threats (and conversely opportunities) to an organization, its staff, and its materiel. Risk management analysis describes different scenarios to permit comparisons and choices between options.

C.5 EXTERNAL USER CHARGES

Description: The imposition of user fees or charges is a specialized form of alternative service delivery. User fees involve the recovery of a part or all of the cost of providing goods and services. In assessing fees, Treasury Board policy requires a preliminary assessment of impact, consultation with users and staff, a detailed analysis incorporating pricing strategy, and a formal process to create authorities through the regulatory review procedures. (*Careful application of the Terms and Conditions under sections B. and C.8 for Authority 99/004 is required.*)

C.6 ALTERNATIVE SERVICE DELIVERY

Description: Alternative Service Delivery is a formal client-focussed review of the means of providing programs, activities, and services to achieve government objectives. The concept includes a wide range of instruments and arrangements used directly by government or in cooperation with other sectors, ranging from re-evaluation of (or recourse to) user charges; regulatory options; tax expenditure; special operating agency status with continued association to an institution; departmental or agency corporations, boards, tribunals, and commissions; partnering arrangements with other levels of government or private sector entities; (limited) contracting out; contracting for services (for a whole activity); devolution to another level of government or a Crown corporation; staff buy-outs; and privatization.

Alternative Service Delivery is a specialized form of program planning that incorporates the following activities: reviewing programs as candidates for alternative service delivery options; securing prior Treasury Board or Cabinet direction on proceeding; carrying out an initial feasibility study in relation to a specific program or activity; analysing options and selecting a preferred option; making a proposal to Treasury Board to implement the preferred option; implementing the decision consistent with Treasury Board direction; and conducting audits and reviews of the results. (*Careful application of the Terms and Conditions under sections C.8 and C.9 for Authority 99/004 is required.*)

C.7 REVIEW

The term "review" refers to the activities of internal audit, program evaluation, and performance monitoring. Review is conducted by officers independent of the responsibility centres and operational managers. Review officers report directly to senior management. They conduct internal audit and program evaluation on the efficiency of operations and cost effectiveness. Internal audit expanded its scope to include performance and program audit. Program evaluation focuses on

process and efficiency questions such as Alternative Service Delivery. Outside consultants may conduct special purpose evaluations.

C.7.1 Internal Audit

Description: The role of Internal Audit is to examine and appraise the effectiveness of financial and operational controls of the organization: the reliability, adequacy, and utilization of information available for decision-making and accountability; the risk and adequacy of the protection; and the extent of the compliance. Internal audit is widening to include all areas of institutional activity beyond assessing the integrity of financial controls and reporting control deficiencies. (*Careful application of the Terms and Conditions under section C.7 for Authority 99/004 is required.*)

C.7.2 Program Evaluation

Description: Program Evaluation is the analysis of the performance of a program from a strategic perspective to permit senior management to consider the future direction and resourcing of the program, including its design, delivery, and service levels. Evaluation is designed to determine the adequacy and relevance of program objectives, design, and results. Evaluation begins with the inputs and outputs of the organization and may examine the operational reasons for these results. Evaluation contributes to resource allocation, program improvement, and accountability. (*Careful application of the Terms and Conditions under section C.7 for Authority 99/004 is required.*)

C.7.3 Performance Monitoring

Description: Performance monitoring by operational managers is operational in nature, and not covered by this Authority. (*Careful application of the Terms and Conditions under section B. for Authority 99/004 is required.*)