

Financial Administration Manual



**Treasury Board Secretariat
Office of the Provincial Comptroller**

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ACCOUNT	A formal record of changes in a particular type of transaction expressed in terms of money and maintained in a ledger or computer file.
ACCOUNTABILITY	The obligation to exercise delegated authority in order to achieve results and the corresponding responsibility to provide justification through normal reporting channels for the results achieved.
ACCOUNTING	The systematic recording, classification, presentation and interpretation of the financial facts of an organization in such a manner as to permit effective management and provide the required financial information.
ACCOUNTING ESTIMATE	Accounting estimates are judgements or assumptions used in applying an accounting policy when, because of uncertainty, an item in financial statements cannot be measured with precision.
ACCOUNTING OFFICER	A designated responsible individual who is able to certify that the request for funds is correct, that it meets the purpose authorized by the appropriation and that funds are available and/or be able to control the recording and deposit of receipts and revenues.
ACCOUNTING PERIOD	The length of time to which an accounting statement relates or for which an accounting record is maintained.
ACCOUNTING POLICY	A statement embracing the general goals and acceptable procedures of accounting for the operations of the government.
ACCOUNTING PROCEDURE	The specific steps to be taken in the processing of transactions through an accounting system.
ACCOUNTING SYSTEM	A formal organization of accounts for the recording, classification and reporting of financial transactions.
ACCOUNT PAYABLE	A record of amounts due to others for services rendered, goods supplied or obligations incurred. (See 8C-1.0)
ACCOUNT RECEIVABLE	A record of amounts due to the Government for services rendered, goods supplied, taxation or other levies. (See 7E-1.0)
ACCOUNT VERIFICATION	The process of verifying the validity of a transaction. (See 8C-1.0 , 2.0)
ACCRUAL ACCOUNTING	A system of accounting under which revenues are recorded when earned and expenses are recorded as soon as they are incurred.
ACCRUED INTEREST PAYABLE	A liability which represents the amount of interest incurred and calculated to the date of a balance sheet but which is not due for payment until a later date.
ACQUISITION COST	The amount of consideration given up to acquire, construct, develop or better a tangible capital asset.
ACTIVITY	A distinct category of related projects, tasks or operations which are carried out to produce planned results.

ADJUSTED VOTE	Includes the fiscal Main and Supplementary Estimates and all authorized interdepartmental transfers, as well as the realignment of resource levels between sub-appropriations resulting from internal reorganizations.
ADVANCE	A payment or provision of funds made before a return is received. Advances constitute a special category of accounts receivable which must be repaid or accounted for in accordance with policy. The funding source for all advances of the government is the Consolidated Fund. (See 8E-1.0)
AGENCY (GOVERNMENT)	Any board, commission, association, agency or similar body, whether incorporated or unincorporated, all the members of which, or all the members of the board of management, board of directors or other governing boards, of which are appointed by an Act of the Legislature or by the Lieutenant-Governor in Council.
AGING	The classification of accounts receivable and other balances by the periods of time that they remain outstanding. (See 7E-2.0)
ALLOTMENT	A breakdown of a voted appropriation for control purposes.
ALLOTMENT PERIOD	A period of time equal to or less than one fiscal year in length during which an allotment is effective.
ALLOWANCE	An authorized amount which may be claimed in lieu of actual expenditures for specific purposes such as remoteness allowance, meal allowance, etc.
AMORTIZATION	The process of allocating the cost of a tangible capital asset, less any residual value, over the asset's estimated useful life in order to match costs with the revenues or public services that it helps generate. (See Chapter 10)
ANNUAL REPORT	Documents required to be tabled in the Legislature that detail an entity's operations for the past fiscal year. They represent the main accountability documents for the expenditure of public funds, and serve to compare planned activities to the results achieved. (See 5C-1.3)
APPROPRIATION	That amount voted by the Legislature as the maximum that may be expended on a specific program or major activity during a fiscal year. Main - the total amount of each resolution passed by the Legislature as reported in the annual Printed Estimates of Expenditure. Sub - the total amounts applicable to the various breakdowns of the Main Appropriations.
APPROPRIATION ACT/BILL	The voted approval by the Legislature granting the amount of money for the fiscal year and authorizing commitments to expend additional money in subsequent years, and authorizing the borrowing of funds to provide for the cash requirements of the government.
ASSETS	Property owned by a governmental unit which has monetary or long-term value. (See 9A-1.0)

ASSETS, CURRENT	Unrestricted cash and other short-term assets, held for consumption in operations or conversion into cash within one year or less.
ASSETS, FIXED	Tangible and enduring property including land, buildings, equipment and fixtures held for use rather than for sale.
ASSETS, TANGIBLE CAPITAL	Non-financial assets having physical substance (includes computer software) that are acquired, constructed or developed and: • are held for use in the production or supply of goods and services; • have useful lives extending beyond an accounting period and are intended to be used on a continuing basis; and • are not intended for sale in the ordinary course of operations. (See Chapter 9F)
ASSIGNMENT	A legal action whereby a debtor assigns or transfers his interest in specific assets such as accounts receivable, inventories, etc.
AUDIT	The examination of documents, records, reports, systems of internal control, accounting and financial procedures and other evidence, and the reporting of the results of such an examination in order to ensure fair and consistent representation and application.
AUDITOR GENERAL	An officer of the Legislature that is empowered to audit government departments, agencies and specific Crown organizations, and to report annually to the Legislature with respect to compliance to <i>The Financial Administration Act</i> and Canadian accounting standards for governments. (See 4F-1.0)
AUTHORITY - PAYMENT	The authority delegated by a minister to authorized positions to request the disbursement of funds from the Consolidated Fund and to charge the applicable appropriation. (See 2A-1.0)
AUTHORITY - REFUND	The authority delegated by a minister to authorized positions to request disbursements from the Consolidated Fund for the repayment of excess funds supplied in payment to the government and recorded as revenue. (See 2A-1.0)
AUTHORITY – SPENDING APPROVAL	The authority delegated by a minister to authorized positions to certify satisfactory receipt of goods and services and to confirm that an invoice is in accordance with the terms and conditions of the agreement. (See 2A-1.0)
AUTHORITY – SPENDING INITIATION	The authority delegated by a minister to authorized positions to commit funds and enter into agreements to procure goods and/or services out of the funds provided in the annual Appropriation Act. (See 2A-1.0)
AUTHORIZED OFFICER	A position within a departmental organization to which certain responsibility and authority has been delegated in accordance with legislation, government policy or departmental procedures.

BAD DEBT	An account receivable which is deemed to be uncollectible.
BAD DEBT ALLOWANCE	An amount that is established to cover those instances where accounts receivable are deemed to be uncollectible. (See 7E-2.0)
BALANCE SHEET	A statement of financial position which discloses the assets, liabilities, and net equity of a fund or governmental unit as at a specified date.
BETTERMENT	A cost incurred to enhance the service potential of an existing tangible capital asset. (See Chapter 9)
BILL OF LADING	A document that shows, at a minimum, the quantity and description of goods delivered in accordance with a purchase order or agreement.
BOOK VALUE	The recorded value of an item as shown in the books of account.
BUDGET	A financial planning and control device depicting planned allocations of resources for a fiscal year.
BUDGETARY CONTROL	The control exercised by managers to ensure that public money is spent as authorized and reflected in a budget.
BUSINESS AREA	A separate organizational unit, synonymous with department.
CAPITAL EXPENDITURES	Expenditures relating to the acquisition and construction of physical assets that have a useful life greater than one year. This includes self-constructed assets, improvements (which prolong the economic life of the asset by one year or greater) to leased and owned real property and direct salaries and wages applicable to capital projects. (See 8B-2.7) The repayment of the principal portion of debt where the debt was incurred to acquire, construct or improve a physical asset, the acquisition cost of which was not previously charge as an expenditure out of the Consolidated Fund. Grants and assistance payment or portions thereof made to municipalities, school divisions and other government and external agencies, commercial organizations and private individuals for the purchase, construction or improvement of physical assets.
CAPITAL REVENUES	Revenues generated through the disposal of physical assets which initially would have been a capital expenditure. (See 7C-1.5)
CASH	Currency, cheques, postal and express money orders, and bankers' drafts on hand or on deposit.
CASH ACCOUNTING	An accounting practice by which income is recognized when it is received in cash and expenses when they are paid in cash.
CASH DISCOUNT	Any discount granted by a supplier if payment is completed within a specified period of time.

CASH FLOW	Net of inflows or outflows of cash for a stated period. (See 3F-1.0)
CERTIFICATION	Written acknowledgement by an authorized officer that certain documents are valid and/or that conditions set out in the document have been met or that goods and services have been satisfactorily provided.
CHARGEBACK ACCOUNT	A bank account against which all cheques and electronic payments are returned and charged. Cheques may be returned for reasons such as NSF, stale-dated, etc. Electronic payments may be returned for reasons such as NSF, wrong account number, not authorized, disputed credit card transaction, etc. (See 7C-1.4)
CHARGEBACKS (RETURNED ITEM)	All cheques or electronic payments returned by the bank because of an error or omission (NSF, wrong account number, etc.). (See 7C-1.4)
CHART OF ACCOUNTS	A grouping of general ledger and sub-ledger accounts that is used for recording, classifying, and managing financial transactions. (See 6C-1.3)
CLAIM	A demand for payment, reimbursement or compensation under law or contract.
CLASSIFICATION OF ACCOUNTS	A method of recording, classifying and managing financial transactions. (See 6D-1.2)
CLEARING ACCOUNT	An account used to accumulate total charges or credits for the purpose of distributing them later among the accounts to which they are applicable or for the purpose of transferring the net differences to the proper account.
CODING	A system of identifying transactions or designating accounts by use of alphabetic and/or numeric characters so that required information may be tracked and obtained.
COMMITMENT (FISCAL)	A legal obligation to acquire specific goods and/or services, the payment for which will be charged to a current fiscal year appropriation.
COMMITMENT ACCOUNTING	A control system which provides information to ensure that funding is available to meet known expenses, and to ensure that annual appropriations are not exceeded. (See 4D-1.0)
COMPTROLLERSHIP	The capabilities an organization must have to provide accurate, relevant, understandable and timely information that it can use to determine, report and provide advice on its financial situation, the results achieved for costs incurred, and the mitigation of related financial and operational risks. (See 1F-1.0)
CONSOLIDATED FUND	A distinct fund into which all government receipts are deposited and from which all funds in payment of commitments are disbursed.
CONTINGENT LIABILITIES	An item which may become a financial liability if certain events do or do not take place at some specified future date.

CONTRACT	A legal binding promise/agreement, written or oral, enforceable by law, between two or more parties for the supply of goods or services. A contract exists, by law, when there is agreement regarding: 1. An Offer (e.g. to sell good, to perform services...), 2. An Acceptance (e.g. agreement to the offer/intention to buy the goods, accept the services...), and 3. Consideration (e.g. further action is taken by one of the parties like the good are shipped or an invoice is paid). (see the Procurement Administration Manual – Glossary & Acronyms)
CONTROL ACCOUNT	A summary account which provides for the balancing of a subsidiary ledger containing a number of identical or related accounts.
COST	The amount or equivalent paid or charged for goods purchased and/or services rendered.
COST CENTER	A separate location, established on a business-process basis for capturing costs.
COST ELEMENT	A classification of expenditure according to the nature of expense such as salaries/wages, transportation, communications, etc.
COST SHARED AGREEMENT	A formal arrangement whereby it is agreed that the costs associated with a particular expenditure will be shared between the province and the Federal or other governments. (See 7C-1.3)
DEBT	An obligation resulting from the borrowing of money or from the purchase of goods or services.
DEFICIT	The excess of liabilities and reserves in a fund over its assets, or the excess of expenditures over revenues in an accounting period.
DELEGATION OF AUTHORITY	The authority given by a minister to specific departmental positions for the incumbent to make decisions and carry out actions within defined areas. (See 2A-1.0)
DEPARTMENT	An entity or division of the executive government of the province designated by the Lieutenant-Governor in Council for the purposes of <i>The Financial Administration Act</i>.
DIRECT COST	An item of cost of labour, supplies and expenses relating to and readily identified with a department, program, activity or other cost unit as distinguished from overhead and other indirect costs which must be prorated.
DIRECTIVE	A legal instrument that relates to internal financial policy of government made or approved by the Lieutenant-Governor in Council, Treasury Board or the Minister of Finance (e.g., Financial Administration Manual).
DISBURSEMENT	Funds paid from the Consolidated Fund.

DOUBLE ENTRY	A system of bookkeeping which requires that for every entry made to the debit side of an account an entry for a corresponding amount or amounts be made to the credit side of another account or accounts.
ENCUMBRANCES (FINANCIAL)	The setting aside of funds for a specific purpose or with specific restrictions as to their use or non-use.
ENTRY	The act of recording a financial transaction in the appropriate book of accounts.
EQUIPMENT	Tangible property of a more or less permanent nature (other than land, buildings or improvements to land or buildings) which is required in operations. Examples are machinery, tools, trucks, cars, furniture and furnishings.
ESTIMATES PROCESS	The government-wide process by which departmental expenditure and revenue plans are formalized and by which authority for those plans is granted first by the government and then by the Legislature. (See 3C-1.2)
ESTIMATES SUPPLEMENT	Documents required to be tabled in the Legislature that provide background information on departmental operations, which complement the information contained within the Printed Estimates. This information is intended to assist the members of the legislature in their review of departmental estimates. (See 3C-1.2)
EXPENDITURE	The amount of money paid or payable for an expense incurred or an asset acquired.
F.A.I.C.	Abbreviation for Financial Administration Information Circular. Such Circulars are supplementary to the Financial Administration Manual (F.A.M.), and are used as a quick means of communicating government-wide financial management information.
F.A.M.	Abbreviation for the Financial Administration Manual. The F.A.M. is the authoritative source of all financial management policies and procedures.
FINANCIAL ADMINISTRATION	All matters relating to the administration of the financial affairs of the government including: control of all assets (including all assets held in trust); revenues and expenditures; accounting and reporting systems; and the establishment and maintenance of financial controls.
FINANCIAL MANAGEMENT	All matters relating to planning, acquisition, use, control and evaluation of the receipt and use of public money.
FINANCIAL OFFICER	A departmental official who is responsible for financial management and financial administration functions within the department.
FISCAL YEAR	A twelve month period commencing on the 1 st day of April in any year and ending on the 31 st day of March next following, or as otherwise determined.
FOR ACCOUNT OF	A mechanism in the central financial and accounting system to allow for tracking of vendors when the payment is not issued to the vendor directly supplying the good or service. This is required to ensure the Public Accounts properly reflects the vendor who ultimately receives the payment.

F.O.B.	FREE ON BOARD, followed by a location, indicates that the cost to a purchaser includes the cost of delivery to the location noted, e.g., F.O.B. Winnipeg.
FUNCTIONAL DIRECTION	A means of exercising authority where a direct reporting relationship does not exist.
FUNDS RESERVATION	A manual commitment recorded in the central financial and accounting system to recognize contractual or scheduled financial obligations that will lead to actual expenditures in the future.
GARNISHMENT	A legal means by which a creditor is authorized by a court to recover outstanding personal debts from another person by instructing the debtor's employers to withhold amounts from the debtor's salary or wages.
GRANT	A payment to an individual or organization for a specific purpose other than for the provision to the government of a good or service. (See 8B-2.4) Discretionary Grant - A grant for which there is no legislation or other authority requiring that it be paid and which generally represents an expression of goodwill or interest by the government. This does not include "Hospitality" grants. Non-discretionary Grant - A grant for which there is specific legislation and regulations that set out the terms, conditions and basis for calculating the grant, such as grants to municipalities in lieu of taxes. Conditional Grant - A grant that is made which stipulates that certain conditions must be met prior to, during or after the term of the grant, such as the maintenance of a proper accounting system and the issue of a report showing specifically how the grant funds were used. Unconditional Grant - A grant that is made without any conditions and which the recipient may use in the manner set out in its request.
GRANT ACCOUNTABILITY	The obligation of a grant recipient to maintain a satisfactory record and to give a satisfactory accounting of action in the performance of the conditions of the grant.
GROSS AMOUNT	The total amount before any deductions.
HOLDBACK	That portion of a payment(s) to be made under the terms and conditions of a contract or the provisions of a statute which is withheld until certain conditions relating to satisfactory performance as determined by the contract or statute have been met. (See 8C-3.4)
INDEPENDENT CONTRACTOR	A corporation or other entity, or an individual who provides services while retaining control of how the result will be accomplished; no employer-employee relationship exists. (See 8B-2.21)
INTERIM SUPPLY	The legal means by which funds for the day-to-day operations of the government are provided until the Printed Estimates of Expenditure are passed by Legislative vote.

INTERNAL CONTROL	A plan of organization under which duties are so arranged and records and procedures so designed as to make it possible to exercise effective accounting control over assets, liabilities, revenues and expenditures.
INTERCHANGE AGREEMENT	An agreement between two organizations, involving the temporary assignment of an employee to the receiving organization while remaining in their home organization's staff year. Interchanges are possible between the Manitoba government (department, special operating agency, independent office of the legislative assembly) and another organization in the public, private or not-for profit sector. See Public Service Commission's Talent Acquisition Policy .
INTERNAL ORDER	A mechanism in the central financial and accounting system used for capturing, reporting and analyzing costs, revenues, and recoveries related to a specific project or initiative.
INVENTORY	An item of equipment or material carried at storage point(s) in a supply system to meet anticipated demands.
INVESTMENTS	Securities and real estate held for the production of income in the form of interest, dividends, rentals or lease payments. The term does not include fixed assets used in governmental operations.
INVOICE	A document of claim showing the description, quantity, price, terms, nature of delivery, and other particulars of goods and/or services purchased or supplied.
JOURNAL ENTRY	An accounting entry supporting a non-cash transaction used to make adjusting or correcting entries in the accounting records within one department.
LAPSE	The automatic expiration of the government's authority to expend funds at the close of the fiscal year.
LEDGER	A book or record of accounts.
LIABILITIES	Legal obligations to make payments to suppliers of goods or services immediately or as they become due.
LIABILITIES, CURRENT	Short-term debts that are to be paid within one year or less.
MAIN ESTIMATES	The amount of expenditure authority approved by the Legislature to meet the necessary expenditures of the government during the current fiscal year.
MANAGEMENT	The act of planning, organizing, controlling and evaluating the activities of an organization or project to enable it to reach its objectives.
MATERIAL ACCOUNTING RECORDS	A document in which transactions in and balances of items are recorded. A record is provided for each item or group of items to be controlled and is so designed to provide a detailed record of goods received and issued, the balance on hand and, frequently, the unit and/or total value.

MODIFIED CASH BASIS	A financial system under which some accruals are recorded while others are recorded only when the payment is made or received.
NET AMOUNT	The total amount remaining after deducting all applicable items from the gross amount.
NIL VOTE	A voted appropriation or sub-appropriation which reflects a net expenditure of zero due to the complete recovery of expenditures from other appropriations.
NOTE PAYABLE	In general, an unconditional written promise signed by the maker to pay a certain sum in money on demand or at a fixed or determinable time either to the bearer or to the order of a person designated therein.
NOTE RECEIVABLE	A legal document signed by its issuer in which he promises to pay to the government a certain sum of money on demand or at a fixed or determinable time in the future.
OPERATING FUND (DIVISION)	A division of the Consolidated Fund from which all operating costs of the government are paid and recorded.
OPERATING STATEMENT	A financial statement that shows the revenues and expenditures of the government for a specified period of time.
ORDER-IN-COUNCIL	A legal document made or approved by the Lieutenant-Governor in Council, not being a regulation or directive.
ORIGINAL COST	The total net cost paid for the acquisition of an asset.
OVERAGE	An excess or surplus of cash collected.
PAYEE	The individual or organization to which a cheque or electronic payment is made payable.
PAYOR	The individual or organization that issues a cheque or electronic payment drawn on his (its) bank account in payment of a debt.
PERIODIC INVENTORY METHOD	A method by which actual items in stock are verified by visual check on a regular basis.
PERPETUAL INVENTORY METHOD	A system whereby the inventory of units of property at any date may be obtained directly from the perpetual accounting records without resorting to an actual physical count.
PETTY CASH FUND	A fund in the form of coin or currency set apart to pay for small items of expense, replenished periodically by exchange of cash from the Consolidated Fund for paid invoices/receipts from the Petty Cash Fund. (See 8E-3.0)

POLICY	Those statements of administrative activity related to the government's system of financial administration that are considered essential to meeting the general requirements of <i>The Financial Administration Act</i> , and which require the approval of Treasury Board or the Lieutenant-Governor in Council under the authority of the Act and MUST be carried out by those areas of government as stated.
POST AUDIT	An audit of the departmental records made after the transactions are completed.
PRE-AUDIT	An examination for the purpose of determining the propriety of financial transactions at any time before the payment is made.
PREPAID EXPENSE	An expense entered in the accounts for benefits not yet received.
PRINTED ESTIMATES	The government's request for Legislative approval of its expenditure and revenue-generating plans for the upcoming fiscal year. (See 5C-1.1)
PROCEDURES	Those steps to be taken by each department in the management and implementation of the policy process and which are contained in statements of procedure (e.g., Financial Administration Manual).
PROGRESS PAYMENT	An interim payment against a contract or agreement based on the status of completion at the time of invoicing.
PUBLIC ACCOUNTS	The government's annual financial report submitted by the Minister of Finance to the Legislature and public which details the financial transactions of the government for the previous fiscal year as required under <i>The Financial Administration Act</i> . (See 5C-1.2)
PUBLIC MONIES	Includes all revenue and moneys arising from whatever source belonging or payable to the government and includes trust and special receipts and revenue receipts.
PURCHASED COST	Total cost F.O.B. the government receiving point, including the price paid to the supplier and related costs such as customs, freight, cartage, etc.
PURCHASE ORDER	A document authorizing a vendor to deliver described goods or services at a specified time, place and price. A purchase order is a formal contract between Government and a vendor.
RECEIPTS	This term, unless otherwise qualified, means cash received.
REFUND OF EXPENDITURES	The recovery of a payment previously authorized and made from the Consolidated Fund under the authority of an Act or appropriation, or from a trust fund due to one or more of the following reasons: (See 8F-1.0) • the return of defective goods, • an overpayment for goods delivered, services rendered or work performed, • duplicate payment for goods delivered, services rendered or work performed, • receipt of a credit note relating to goods delivered, services rendered or work performed,

- recovery of amounts prepaid when no goods are delivered, no services are rendered or no work is performed,
- recovery of debts,
- recovery of assets that were written off pursuant to procedures established by the Department of Finance, and
- where the status of a conditional grant is changed to that of a loan due to the nonfulfillment of conditions.

REFUND OF REVENUE	An amount returned to a payor because it was not required, was a duplicate payment or was in excess of the correct amount. (See 7F-1.0)
REGULATION	A legal instrument that is legislative in nature, made or approved by Treasury Board, the Lieutenant-Governor in Council or the Minister of Finance, and requires publication in the Manitoba Gazette.
REQUISITION	A formal written request for the acquisition of a specified article or service.
RESOURCES	Actual assets, including staffing and financial, physical and informational resources available for the delivery of government programs and activities.
RESPONSIBILITY CENTRE MANAGER	A person who occupies a position in an organizational unit which has been delegated authority to manage financial resources in conducting a program of activities, including responsibility for determining financial requirements (budgeting), responsibility for controlling costs in relation to operational accomplishment and the responsibility of exercising authority to approve charges against budget.
RETURNED CHEQUES	Cheques returned to the government as a result of non-delivery to the payee (e.g., wrong address, etc.)
REVENUE	All income and public monies received by the government from any source except trust and special receipts. (See 7A-1.0)
REVENUE, CURRENT	That revenue which is generated and received during the current fiscal year subject to certain year-end adjustments as provided by <i>The Financial Administration Act</i> .
REVOLVING FUND	A fund created from an appropriation that is normally used to purchase goods for inventory purposes and which is replenished by the sale of the items from inventory.
SET-OFF	The reduction of an amount due or payable by the government to the extent by which that person is indebted to the government. (See 7E-3.3 , 3.4)
SHARED COSTS	Those costs incurred in a program which are shared with other jurisdictions.
SPECIAL WARRANT	A means by which additional funds are made available to departments for unforeseen expenditures which has been signed by the Lieutenant-Governor in Council and which are normally issued only when the Legislation is not in session. (See 3D-1.0)

STATEMENTS	Written presentations which set forth financial information which shows the financial position and the results of financial operations of a fund, a group of accounts, or an entire governmental unit for a particular accounting period.
STATUTORY APPROPRIATION	An appropriation which is established by statute and not, therefore, requiring approval by the Legislature each year, e.g., Statutory Indemnities.
SUBSIDIARY ACCOUNT	One of a group of related accounts of which support in detail the debits and credits recorded in a control account. See also CONTROL ACCOUNT.
SUBSIDIARY LEDGER	A group of subsidiary accounts of which the sum of the balances is equal to the balance of the related control account. See also CONTROL ACCOUNT.
SUPPLEMENTARY SUPPLY	Additional estimates submitted by departments for tabling in the Legislature to provide for expenditures unforeseen at the time of Printed Estimates. (See 3D-1.0)
TOTALIZED ACCOUNT	A summary of payments made for a specific purpose or to a specific vendor to eliminate maintaining accounts in the vendor ledger which are insignificant (e.g., Totalized Account #51 was established to summarize payments made to the Receiver General for Canada rather than to have each individual on whose behalf a payment was made, appear as a separate account in the Supplement to the Public Accounts. (See 8C-3.7)
TRANSACTION	An event or condition which can be expressed in monetary terms and which gives rise to an entry in the accounting records.
TRANSFER PAYMENT	A payment to a government agency from an appropriation in compliance with specific legislation for the administration of grant payments on behalf of the government, e.g., Manitoba Arts Council. (See 8B-2.4)
TRIAL BALANCE	A list of the balances of the accounts in a ledger showing the debit and credit balances in separate columns. If the totals of the debit and credit columns are equal or their net balance agrees with a control account, the ledger from which the figures are taken is said to be "in balance".
TRUST ACCOUNT	An account set up in the central financial and accounting system to record and control provincial sinking funds and funds held or handled by the Province for other organizations or individuals.
TRUST FUND	A division of the Consolidated Fund in which are recorded all transactions of entities other than the government relating to assets held on behalf of other individuals or organizations.
TYPE CODE	The code assigned to a transaction to identify it as a payment reportable under <i>The Income Tax Act</i> . (See 8C-3.6)
UNDERAGE	A shortage of cash collected. (See 7B-1.1)
UNEXPENDED ALLOTMENT	That portion of an allotment which has not been expended.
UNENCUMBERED APPROPRIATION	That portion of an allotment/appropriation not yet expended or encumbered.

UNEXPENDED APPROPRIATION	That portion of an appropriation which has not been expended.
USEFUL LIFE	The estimate of the number of years over which a tangible capital asset is expected to be used. (See Chapter 9F)
VALUATION ALLOWANCE	An amount provided to reflect decreases in the value of loans, advances and long-term investments that is adjusted annually for changes that have occurred in the estimated realized value of these assets. Increases in the valuation allowance are recorded as expenditures, and conversely decreases in the valuation allowance are treated as a reduction of expenditures. Loans, advances or long-term investments may be written down in the accounts of the government, pursuant to authority provided under <i>The Financial Administration Act</i>. The write-down is applied to the valuation allowance, whether it occurs in the year the valuation allowance is provided or in a subsequent year.
VENDOR MASTER	A computer record of transactions by vendor that is used in the compilation of Volume 2 of the Public Accounts. All transactions with the same vendor are reflected in one account regardless of the department initiating the entry (see also Totalized Account).
VIREMENT	Main Appropriation Transfers (also known as “Virement”, from the French word “transfer”): The transfer of all or part of a voted appropriation to another voted appropriation within a service heading (aka Department or Business Area). Main appropriation transfers may replace the need for supplementary authority.
VOTE	An amount in the Printed Estimates of Expenditures approved by a resolution of the Legislature. Synonymous with Estimates.
WITHHOLDING TAX	Taxes withheld from a disbursement as required by law which is subsequently remitted to the appropriate tax authority. (See 8C-3.3)
WORKFORCE MANAGEMENT RESPONSIBILITIES	The authority delegated by a deputy minister to authorized positions to carry out certain actions respecting the employment of staff in accordance with <i>The Public Service Act</i> , the results of which will impact the Consolidated Fund. (See 2A-1.0)
WRITE-OFF	To remove, reduce, cancel, discharge and release an outstanding debt or an account from the books of the province, or to reduce or eliminate a physical asset previously recorded. (See 7E-3.5)
WRITE-ON	To record the cost of a physical asset in the accounting records for identification and control.

The financial management function is an essential component of government operations which involves the management and accounting of public funds in order to fulfil program objectives. Within the Manitoba Government, financial management is that part of management concerned with the planning, acquisition, use, control and evaluation of the receipt and use of public money.

This function is established at, and important to, both central government and departmental operations. The processes and systems which operate to carry out the function provide the necessary controls on the use of public funds, as well as provide the informational support to the decision making process at all levels.

Financial management outlines the roles and responsibilities for carrying out the key financial activities, including:

- delegation of financial signing authority;
- classification of accounts;
- financial planning and budget preparation;
- budgetary control;
- financial systems and controls;
- expenditure control;
- revenue control;
- asset control;
- financial reporting; and
- audit

The sections following describe the financial management function and its operation and detail the important responsibilities which exist at both the central and departmental levels of government, including the inter-relationships between the two levels, as well as the aspects of functional direction and guidance, and comptrollership.



The primary source of financial authority in the Manitoba Government is The Financial Administration Act (F.A.A.), which places the overall role, responsibility and accountability for the financial function with the Minister of Finance, and grants the Minister functional authority for the systems of financial management. Through the F.A.A. and other major Acts, the framework and limits within which financial management operates is established as follows:

FINANCIAL ADMINISTRATION ACT ([C.S.S.M. - Chapter F55](#))

Some of the major topics include:

1. Organization

- establishes Treasury Board authorities, including the authority to make regulations and directives,
- establishes the responsibilities of the Minister of Finance, and the Minister's authority to make regulations and directives,
- outlines the delegation of authority of the Minister of Finance,
- establishes the Office of the Provincial Comptroller, and the right of the Provincial Comptroller to:
 - have access to all government departments and to their records, and to examine and report on their financial and accounting operations,
 - station a Treasury Board Secretariat representative in any government department when the Provincial Comptroller considers it necessary to discharge his or her responsibilities,
 - provide accounting and other services in connection with the financial management of a government department or agency,
 - examine any person under oath with respect to any matter within the responsibilities of the Provincial Comptroller, and
 - appoint revenue officers as necessary for the collection and management of revenue.

2. Public Money

- establishes the Consolidated Fund,
- establishes the authority to collect and invest public monies,
- establishes the responsibility for bank accounts and banking, and
- establishes the requirements regarding revenue, refunds of revenue, write-off and settlement of debts and obligations, and assets and the sale of assets.

3. Disbursement of Public Money

- establishes the requirements regarding the disbursement of public funds,
- establishes the requirements regarding the content of the Estimates and the [Estimates Supplement](#),
- establishes the authority to issue [special warrants](#), and
- establishes the authority to make settlements of claims.

4. Public Debt

- establishes the authority to raise money on the credit of the government, and prescribes the manner in which that money may be raised, and
- establishes the authority to create sinking funds to repay government debts.

5. Public Accounts and Reports

- establishes the requirement to publish the [Public Accounts](#),
- establishes the requirement for the publishing and tabling of departmental [Annual Reports](#),
- establishes the requirement for the [Auditor General](#) to report on the examination of the Public Accounts.

6. Miscellaneous

- establishes the requirements regarding [financial document retention](#) and destruction, and
- establishes the requirements for the publication of contract information.

Directives issued under the authority of The Financial Administration Act and other related Acts for which the Minister of Finance is responsible are communicated by way of Financial Administration Information Circulars (FAICs) and updates to the Financial Administration Manual (F.A.M.) and the [General Manual of Administration \(G.M.A.\)](#).

FISCAL RESPONSIBILITY AND TAXPAYER PROTECTION ACT ([C.C.S.M. - Chapter F84](#))

This Act set out rules for managing government budgets including statutory requirements to:

- table a budget before April 30 every year with a fiscal responsibility strategy outlining the government's current and future financial objectives,
- refrain from incurring a deficit of more than a baseline amount,
- calculate deficit or surplus amounts on a summary basis,
- maintain a balanced or surplus budget once a deficit has been eliminated,
- address debt reduction once a budget is balanced, and
- withhold ministerial salaries each year that a deficit occurs.

EXECUTIVE GOVERNMENT ORGANIZATION ACT ([C.C.S.M. - Chapter E170](#))

It is through The Executive Government Organization Act that Treasury Board has been established. The Act sets out conditions for the delegation of ministerial authorities in certain areas, including the entering into of agreements and the issuance of requisitions for the purchase of goods.

AUDITOR GENERAL ACT ([C.C.S.M. - Chapter A180](#))

The Auditor General is empowered to audit government departments, agencies and specific crown corporations, and to report annually to the Legislature with respect to compliance to The Financial Administration Act and Canadian accounting standards for governments.

The Auditor General Act ensures an objective assessment of the accounts of the government for each fiscal year. This objectivity is maintained in that the Auditor General is an officer of the Legislature, not the government.

OTHER RELEVANT ACTS

- The Appropriation Act
- Interim Appropriation Act
- Supplementary Appropriation Act(s)
- Loan Act(s)
- The Public Service Act ([C.S.S.M. - Chapter P271](#))

- Government Purchases Act ([C.S.S.M. - Chapter G90](#))

The various Appropriation and Loan Acts provide authorization for:

- the payment of expenditures from the Consolidated Fund,
- the commitment of expenditures beyond the current fiscal year, and
- the borrowing of funds for financing of annual operations and long-term capital projects.

DEPARTMENTAL ACTS

Departmental Acts (specific to programs) provide authorities to departmental ministers to carry out governmental objectives which may also affect the financial processes in place within departments.

The financial management function within the Manitoba Government seeks to achieve three main objectives:

1. **Financial Visibility** - to make visible all financial information that the government requires. This includes not only the information that is shown in the Estimates and Public Accounts, but all the components that produce and aggregate data for departmental decision-making.
2. **Financial Accountability** - financial accountability is closely related to financial visibility in that it is focused on the identification of financial information in relation to each responsible manager. Departmental accountability to the government is primarily in terms of the data included in the Estimates and the Public Accounts, but where the authority granted by the government is delegated within a department, there must be adequate accountability before an aggregate accounting to the government can be rendered.
3. **Financial Control** - the objectives of financial control are closely related to accountability. The responsible manager is the focal point in any system of control, for it is the manager who performs those actions which result in expenditures, and who can take corrective action on a timely basis when adjustments are required.

In order to achieve these objectives, financial policies, guidelines and information systems, as well as accounting and other procedures necessary to process transactions and produce financial and measurement information must be in place and communicated to financial staff.

INTRODUCTION

Within the financial management function there are two major complementary roles; the government-wide role performed by central agencies, and the individual departmental role. These roles are very much inter-related and must be carried out in a mutually cohesive manner.

A close working relationship should exist between financial officers in the central function and their counterparts in the departmental function, resulting in a cohesive system of financial management. This relationship is coordinated by the Executive Financial Officer (EFO) at the central government level, the Provincial Comptroller. The Comptroller's relationship with the departmental Executive Financial Officer, usually an Assistant Deputy Minister of Finance and Administration or an Executive Director of Finance and Administration, is one of functional direction and functional guidance.

The provision of functional direction and functional guidance is based on the principle of delegation of functional authority. It is not intended to presume upon the line authority of program/responsibility centre managers over personnel reporting to them, but rather, is designed to support the overall responsibility and accountability for the financial management and control of resources. It is provided to assist these departmental managers in exercising their functional responsibility in financial management.

Functional direction is a means of exercising functional authority where a direct reporting relationship does not exist by:

- promoting and ensuring compliance with statutes, policies and directives,
- providing guidelines to departmental functional specialists and line managers, and
- requesting and receiving financial information directly from departmental functional specialists and line managers.

Functional guidance is the provision of advice and assistance related to established policies, systems and procedures.

PROVINCIAL COMPTROLLER

The Provincial Comptroller is responsible and accountable for the overall performance of financial management within the government. Since departmental financial management processes and systems form an integral part of the government's central financial system, the Comptroller provides *functional direction* and *functional guidance* to Deputy Ministers through the departmental Executive and Senior Financial Officers on matters relating to the financial management function.

DEPARTMENTAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

Similarly, departmental Executive and Senior Financial Officers are responsible and accountable for departmental financial management. Specifically, they must ensure compliance with the provisions of *The Financial Administration Act*; the Appropriation Act(s); the financial provisions of the specific statutes administered by the department; the financial policies and guidelines approved by the Treasury Board; requirements established under the authority of the Comptroller; and departmental financial policies, systems and procedures.

There are other functionaries that significantly impact financial management in the Manitoba Government, including:

TREASURY BOARD

Treasury Board is a sub-committee of Cabinet responsible for overall fiscal management and administrative co-ordination of the government, and for the establishment of policies required for the effective management of public funds.

AUDITOR GENERAL

In accordance with [The Auditor General Act](#), the Auditor General is required to carry out various kinds of audits and a monitoring of accountability to the Legislature concerning the Provincial Government, its agencies and the recipients of public monies including:

- broad scope financial and management audits of the Provincial Government and certain of its agencies,
- compliance audits on government systems and policy,
- management overview audits on those government agencies whose financial audits are carried out by external audit firms, and
- inspection audits of selected recipients of public monies.

Despite the fact that the Auditor General is external to the financial community, the issuance of its financial and management audit reports have a great impact on financial and managerial development both centrally and departmentally. The Auditor General serves as a key reporting mechanism on departmental adherence to financial policy. As a result, the financial community maintains a close working relationship with the members of the Auditor General's Office.

TREASURY DIVISION - DEPARTMENT OF FINANCE

The Treasury Division performs in an operational capacity as the banking and investment manager for the government and its agencies. Specific responsibilities include:

- management of borrowing programs,
- management of cash resources,
- co-ordination of servicing the public debt, and
- management of investment activities on behalf of the government and its agencies.

There is a working relationship between the financial management functions of government and the cash flow management and investment activities of the Treasury Division. There exists a continual liaison with the central financial function in the areas of banking and interest rate policy formulation.

TAXATION DIVISION - DEPARTMENT OF FINANCE

The Taxation Division advises on certain taxation policy matters and administers the collection of various taxes including Retail Sales Tax, Mining and Use Tax, and Corporation Capital Tax. There is a working relationship with the financial function in view of this Division's role as a collector of government revenues.

OVERVIEW

The Department of Finance has responsibility for the development and operation of the central processes and systems of financial management. These processes and systems, while providing flexibility, must manifest certain consistent practices across government. In addition, departmental financial management and accounting must be able to aggregate into overall governmental financial management and accounting.

The ability of the central financial function to formulate new policy and initiate innovations in financial management is of continual importance. The size and complexity of the government's financial operations, coupled with an increase in the reliance on more complex and formalized systems, dictates that both central and departmental financial managers have a high level of functional skills, creativity and leadership in order to provide the necessary support.

The organizational structure of the central financial function can be accessed in the Department of Finance [annual report](#).

ROLES AND RESPONSIBILITIES

The roles and major responsibilities of the central financial management function are as follows:

MINISTER OF FINANCE

Under the authority of [Section 8](#) of The Financial Administration Act, the Minister of Finance is responsible for:

- management and administration of the Department of Finance
- management and administration of the Consolidated Fund, including the collection, receipt and payment of public money into the Consolidated Fund and the control of payments out of the Consolidated Fund
- management of the public debt, of the investment of public money and of loans and advances made and guarantees given by the government

In general, the minister is responsible for the supervision, control and direction of all matters relating to the financial management of the government that are not assigned by enactment to Treasury Board.

DEPUTY MINISTER OF FINANCE

Within the terms of [Section 12\(1\) through 12\(5\)](#) of The Financial Administration Act, the Deputy Minister of Finance is delegated the authority, and has responsibility for administration of the financial affairs of the government under the general direction of the Minister of Finance. Duties include:

- advice to the Minister of Finance on finance and revenue matters
- co-ordination and management of the activities within the Department of Finance
- approval of financial policies, systems and procedures to ensure consistency with The Financial Administration Act, Treasury Board directives and the Minister of Finance.

TREASURY BOARD SECRETARIAT

The Treasury Board Secretariat provides staff support to Treasury Board, which is a sub-committee of Cabinet responsible for the overall fiscal management and reporting of the government. The Secretariat prepares long and short-term fiscal strategies and planning options, and reviews major

program delivery areas of government. One of its main areas of focus is in providing general analytical and administrative services for the annual estimates review and interim departmental Treasury Board submissions. In addition, the Secretariat develops and administers government administrative policy.

PROVINCIAL COMPTROLLER

The Provincial Comptroller, as the central government's Executive Financial Officer:

- establishes financial and accounting policy in keeping with the requirements of the government, The Financial Administration Act, and Public Sector Accounting Standards
- maintains a government-wide perspective in coordinating financial management policy, and provides functional direction and guidance to departmental financial officers on matters of financial management
- has responsibility for the supervision, direction and control of the financial and accounting functions of government
- maintains the central accounts of the government to show the current state of the Consolidated Fund and the financial condition of the government
- prepares the Public Accounts and any financial statements and reports required by the Minister of Finance or Treasury Board
- ensures that procedures are in effect for the recording of public money payable to the Minister of Finance and that authority exists for the recording and payment of public money
- evaluates accounting and financial management systems throughout government
- maintains an internal audit system in government

DEFINITION

Comptrollership is the capabilities that an organization must have to provide reliable, relevant, understandable and comparable information that it can use to determine, report and provide advice on:

- its financial situation
- the results achieved for costs incurred
- the mitigation of related financial and operational risks.

Comptrollership is about:

- ensuring the organization achieves its goals and objectives
- a shared set of values and ethics
- equipping current and future generations of managers with the requisite skills, competencies and understanding of their roles and responsibilities
- supporting the effective stewardship of all resources
- working smarter for better results: better informed decisions, better public policies and better service delivery
- providing managers with integrated financial and non-financial performance information;
- oversight responsibility for public reporting
- establishing and monitoring a sound risk management environment
- establishing and monitoring appropriate control systems
- evolving roles and responsibilities for both managers and functional specialists
- ensuring a conducive environment and the appropriate delegations of authority, mature integrated information systems, appropriate controls and tools to support managers and functional specialists.

COMPTROLLERSHIP AND FINANCIAL MANAGEMENT

Comptrollership has evolved from a finance and control focus to a focus on performance. This has shifted the emphasis from transaction processing and control to information management and advice. Historically, the finance function was seen as having primary and in some areas, sole responsibility for comptrollership. This has changed to the point where it is increasingly felt that comptrollership is the job of all managers, requiring the support of functional specialists among whom financial managers are key. In light of this evolution, financial managers need to be seen by line or program managers as people who understand operations and who are both willing and able to assist in getting things done, within acceptable parameters.

THE COMPTROLLERSHIP FRAMEWORK

The departmental Executive Financial Officer (EFO) assumes responsibility for comptrollership, ensuring compliance with financial policy on financial management and administration, and for establishing and maintaining financial management, administration and control systems within the department. The EFO's functional responsibility is to ensure that the department develop and establish a Comptrollership Plan that provides guidance to all departmental employees for carrying out comptrollership responsibilities. [A Framework for Effective Comptrollership in the Government of Manitoba](#) is available to provide guidance on comptrollership and implementation of the Comptrollership Plan. The objective is to ensure that the departmental Comptrollership Plan is updated regularly to reflect current operations, policies and procedures, that it is filed with the Provincial Comptroller, and that all departmental employees are aware of its contents so they can contribute to effective overall comptrollership.

The EFO also has oversight comptrollership responsibility for, and provides functional direction to all Special Operating Agencies (SOA) within the department's purview. As part of the oversight responsibility, the EFO provides assistance to the SOA(s) in the development of their Comptrollership Plan and final approval of the plan to ensure effectiveness of the comptrollership framework in their operations. The accountability mechanism is to prepare and sign a management representation letter.

PHILOSOPHY

Comptrollership is a management responsibility.

Managers at all levels within departments and agencies are responsible for ensuring that there is sound comptrollership within their area of responsibility, and for ensuring all employees are aware of their responsibility for the stewardship of all resources entrusted to them.

Comptrollership is an integrating function.

It requires the bringing-together, synthesizing and reporting of a wide variety of relevant information, both financial and non-financial, to support management decision-making and control.

Comptrollership is advice and guidance.

It involves more than simply generating information and analysis. It demands that advice and guidance also be provided on how to apply and interpret information, with a focus on expanding the role of financial managers from reporters of the past and controllers of the present to being advisors on the future.

UNDERLYING PRINCIPLES

Value-Added Advice and Analysis

Good financial and non-financial information will be accessible throughout the organization to support decentralized decision making and facilitate management control. Managers must place emphasis on value-added advice and analysis for effective decision making, as well as on transaction processing and controls. It is important that the analysis and interpretation of information, including understanding its limitations, be used to challenge plans and practices.

Relevance

An emphasis will be placed on the relevance of all aspects of the organization's operations to the ultimate achievement of the organization's goals.

Values and Ethics

The organization will operate under a shared set of fundamental beliefs and attitudes about how the organization functions. Members of the organization are expected to demonstrate these beliefs and attitudes through their behaviour.

Economy, Efficiency and Effectiveness

All of the resources available to the organization will be managed with due regard for economy, efficiency and effectiveness in the accomplishment of the organization's purpose and objectives.

KEY ELEMENTS OF COMPTROLLERSHIP

Organization and Accountability

Essential to the effective operation of comptrollership is the requirement of a clear and comprehensive definition, understanding and acceptance of accountabilities and responsibilities for all key aspects of financial management and administration.

Delegation of Financial Authority

The delegation of financial authority process must ensure that all financial transactions entered into on behalf of the government are done so by authorized agents of the government and that there is a system in place for the control of activities impacting the Consolidated Fund.

Process and Systems Integrity

Integrity of processes and systems, including data entered into those systems, is fundamental to the effective operation of any financial management structure. The scope of process and systems integrity encompasses all major financial processes and financial information systems, the full control environment, including commitment accounting, and systems and information security.

Financial Information and Reporting

Internal financial information and reporting is at the heart of comptrollership. It is essential that, relevant, reliable, understandable and comparable financial information be available for management decision-making and control. The review of financial reports by both operating and financial managers is an essential element of effective management.

Risk Management

As part of the overall control environment, managers and staff will regularly assess both the possible adverse consequences (risk) and the possible beneficial consequences (opportunity) that may face the organization.

The Challenge Function

The challenge function exists to identify weaknesses and risks (financial, political, social), and should be constructive rather than adversarial. It should incorporate and respect corporate policies, practices and values and ethics, and be directed to promoting informed and responsible decision-making and improved performance.

Training and Education

Training and education is a significant requirement for both financial and operational managers, with an emphasis on management functions and comptrollership responsibilities, and how the comptrollership concepts can be implemented/operationalized.

For further information on Comptrollership, please reference, ["A Framework for Effective Comptrollership in the Manitoba Government"](#) and the [Fraud Policy, Section 9A-2.0](#).

COMPTROLLERSHIP EDUCATION

Treasury Board Secretariat, Office of the Provincial Comptroller offers a Comptrollership Framework Learning Program, available through [Learning and Development Services](#), which consists of six e-modules as follows:

1. Introduction to Manitoba's Comptrollership Framework
2. Delegation of Financial Signing Authority
3. Understanding the Government's Financial Cycle
4. Grant Accountability and Management
5. Financial Duties of Program Managers
6. Determining Employment Status of Contractors

Departments and agencies should promote these e-modules as part of learning plan goals and performance monitoring. Executive Financial Officers must ensure that, at minimum, the following mandatory requirements are met for their departmental staff.

1. Introduction to Manitoba's Comptrollership Framework
 - All staff with financial responsibilities^A
 - All Program Managers^B
 - All Administration Officers^C
 - Strong recommendation to all other staff
2. Delegation of Financial Signing Authority
 - All staff that have delegated signing authorities
 - All staff that are involved in the delegated signing authority process
3. Understanding the Manitoba Government's Financial Cycle
 - All staff with financial responsibilities^A
 - All Program Managers^B
 - Strong recommendation for Administration Officers^C
4. Grant Accountability & Management
 - All staff with some aspect of grant management responsibilities
5. Financial Duties of Program Managers
 - All Program Managers^B
 - Strong recommendation for staff with financial responsibilities¹ that communicate with program staff on a regular basis
6. Determining Employment Status of Contractors
 - All staff with financial responsibilities^A
 - All Program Managers^B
 - All Administration Officers^C
 - Strong recommendation to all other staff

The following position definitions can be used as a guideline for the above modules:

-
- ^A Staff with financial responsibilities includes, but is not limited to, Executive Financial Officers, Senior Financial Officers, and other senior financial positions such as Financial Analysts, Financial Officers and Comptrollers.
- ^B A Program Manager is a person who occupies a position in an organizational unit which has been delegated authority to manage financial resources in conducting a program of activities, including responsibility for determining financial requirements (budgeting), responsibility for controlling costs in relation to operational accomplishment and the responsibility for exercising authority to approve charges against budget. The Program Manager has the responsibility and accountability in financial decision making for their program area. Program Managers can be Assistant Deputy Ministers, Executive Directors, Directors, Managers and Supervisors.
- ^C An Administration Officer is a person that is involved in some financial function, including but not limited to, having responsibility for an operating budget, cash flow monitoring, expense processing and procurement of supplies. Some examples of an Administrative Officer include F11 positions, supervisors of Administrative Assistants, Administrative Officers, Administrative Coordinators, and Program Administrators.

Effective Date: July 17, 2023
Ministries will complete adoption not later than July 31, 2024

POLICY

All departments and government reporting entities are required to establish and maintain an effective system of internal controls in alignment with the government's mandated objectives and to manage and minimize risk to the department or entity.

An effective system of internal control is a prerequisite for sound governance, oversight and decision-making in relation to management of the government reporting entity (GRE). Manitoba's ICP supports the oversight responsibilities of Treasury Board and the Provincial Comptroller under the Financial Administration Act (FAA). An effective system of internal controls is critical to the Provincial Comptroller's preparation and the audit of the annual Public Accounts, as well as to the department's ability to manage operations effectively within the comptrollership framework.

SCOPE

This policy applies to all Government Reporting Entities (GREs) including the following:

- Government departments
- Reporting Organizations identified in the *Financial Administration Act (FAA)*

Government Departments - strict compliance with this policy is required as prescribed herein.

Special Operating Agencies (SOA) - strict compliance with this policy is required as prescribed herein.

Reporting Organizations (Crown Corporations and government reporting organizations) - principled application consistent with this policy is required.

The department management oversee and monitor compliance to this policy as outlined below.

SYSTEM OF INTERNAL CONTROL

Internal controls assist organizations in conducting operations efficiently and effectively, safeguarding assets, reporting reliable information, and complying with laws and regulations. Internal controls minimize operational risks and support the achievement of business objectives.

Management is responsible for the preparation and fair presentation of the summary financial statements in accordance with Public Sector Accounting Standards. This includes responsibility for the internal controls that management determines to be necessary to enable preparation of summary financial statements that are free from material misstatement, whether due to fraud or error.

An unqualified audit opinion on the government's financial statements included in the Public Accounts supports reliability of the summary financial statements for Manitoba taxpayers, members of the legislature, credit rating agencies, and other key provincial stakeholders. A strong system of internal controls assists with the auditor's ability to issue an unqualified audit opinion.

Definition of Internal Control

Internal Control is defined by CPA Canada as follows:

The process designed, implemented and maintained by those charged with governance, management and other personnel to provide reasonable assurance about the achievement of an

entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.¹

To be effective, internal controls (preventative or detective) must be appropriately designed and performing and operating as designed, to achieve the objectives of acceptable risk management strategies. An internal control that is deficient in either its design or operating effectiveness is not an effective control and is considered an internal control deficiency.

Implicit within the definition of internal control is that management must identify organizational objectives and related risk management strategies, which can generally be classified in one of the following three categories:

- A. Operating - effectiveness and efficiency of operations
- B. Reporting – internal and external financial and non-financial reports (includes the Public Accounts)
- C. Compliance with policies, procedures, laws and regulations

The Financial Management Principles, the Manitoba Comptrollership Framework and the Internal Control Framework sections further inform Manitoba's system of internal controls and should be considered in all aspects of this ICP.

FINANCIAL MANAGEMENT PRINCIPLES

Internal Control System Responsibility, Requirements, Assessment and Reporting

Provincial Comptroller Responsibility for Policy

The provincial comptroller is responsible for policy setting, evaluating the financial management systems and internal controls used in departments and reporting organizations within the government reporting entity. Reporting to the Office of the Provincial Comptroller by departments and reporting organizations will be required as specified in this ICP.

Departmental / Reporting Organization Responsibility for Internal Control System

Financial management team leaders including but not limited to Executive Financial Officers, Chief Financial Officers, financial management, and departmental management ("Management") are responsible for the following:

1. Management is responsible and accountable for ensuring that an effective system of internal control is in place and operating effectively at all times throughout the fiscal year
2. Management will obtain and sustain capacity and capability to successfully establish, assess, operate, monitor, manage and report upon their system of internal control
3. Management will seek internal and/or external advice where appropriate
4. Government departments are responsible for ensuring that SOAs and reporting organizations, for which they are accountable:
 - 4.1. Are aware of requirements related to internal control as stipulated herein
 - 4.2. Identify, assess and remediate risks on a timely basis
 - 4.3. Demonstrate compliance through reporting and disclosure

¹ Canadian Audit Standard (CAS) 315



Internal Control System Requirements

5. Management will ensure that risk assessments identify acceptable risk management strategies related to organizational objectives, and that instituted internal controls are:
 - 5.1. Designed to reduce the relevant risk based on the organizations risk tolerance
 - 5.2. Performing/Operating as designed
6. Management will ensure that the system of internal control is appropriately documented, providing an audit trail to support:
 - 6.1. Self review by departmental, SOA or reporting organization management
 - 6.2. Review by OPC
 - 6.3. Audit readiness for internal or external audit
7. Management will support proper reporting of financial activities by ensuring that their risk assessments and system of internal controls (Operational, Reporting and Compliance internal controls) appropriately address the risk of material misstatement at the financial statement level or the assertion level for classes of transactions, account balances and disclosures.²
8. Where unforeseeable circumstances arise and an internal control normally relied upon will be circumvented, management must document an appropriate alternative internal control and contact OPC for review and approval prior to adoption.
9. Redundant or ineffective controls will be identified and eliminated on a timely basis.

Internal Control System Assessment

10. Management must:
 - 10.1. Have a risk based internal control system self assessment plan and submit to OPC
 - 10.2. Conduct internal control assessments, and report results to OPC
 - 10.3. Identify and assess risk related to internal control deficiencies
 - 10.4. Where internal control deficiencies are identified, remediation plans must be documented, executed and reported to OPC in a timely manner appropriate to the risk exposure to the department, SOA and/or reporting organization
 - 10.5. Lapses in internal control will be risk assessed, documented and communicated to OPC in a timely manner based on the presenting risk
11. Management must report failure to establish and/or maintain an effective system of internal control to OPC on a timely basis and must provide a:
 - 11.1. Risk assessment
 - 11.2. Remediation plan

Internal Control Reporting

12. OPC will review and assess internal control self assessment plans and results, remediation plans and results, and other information reported to OPC
13. Internal control activities will be reported to OPC when requested
14. Based on the information provided pursuant to sections 9 to 12 herein, the OPC may report to Treasury Board Audit Committee regarding internal control self assessment and remediation plans
15. OPC will perform a program of comptrollership audits to monitor compliance to the ICP by departments, and will monitor same through the reporting entity internal audit reporting structure to government.

² Canadian Audit Standard (CAS) 315



Annual Attestation

The annual declaration process is an integral component of the OPC Internal Control Framework, through which departments and reporting organizations provide their assurance through written attestation regarding the reliability of financial reporting, compliance with laws and regulations, and efficient and effective operations.

Representations with respect to the recognition, measurement, presentation and disclosure of information in the financial statements are inherent in management representing that the financial statements are prepared in accordance with the applicable financial reporting framework (i.e. PSAB).

16. Each department will provide written assurance in Management Representation Letters signed by the Deputy Minister and Executive Financial Officer, that the ministry has maintained an effective system of internal controls to provide reasonable assurance regarding:
 - 16.1. Reliability of financial reporting
 - 16.2. Compliance with applicable legislation
 - 16.3. Regulations
 - 16.4. Directives and policies
 - 16.5. Effectiveness of Ministry operations
 - 16.6. Appropriate oversight to safeguard the Province's assets
 - 16.7. Summary of internal control deficiencies and remediation
17. The Annual Declaration process will be specified in the Public Accounts Year End instructions
18. Management will retain sufficient, appropriate documentation of review and records to support assurances provided in the Management Representation Letters for a minimum of seven (7) years and will provide these documents for review to both OPC upon request.

Responsibility for Internal Controls System

The roles and responsibilities related to the internal control system for various levels of management are summarized below:

- Treasury Board is responsible for management and control of public funds for the government reporting entity (GRE)
- Ministers are responsible to the electorate through the Legislative Assembly and must provide an annual report on their departments' operations.
- The Minister of Finance must provide the Public Accounts to the Legislative Assembly
- The Provincial Comptroller is responsible and accountable for the overall performance of financial management within the government including:
 - The Provincial Comptroller must prepare annual public accounts accompanied by a report of the Auditor General concerning his or her examination (audit) of the public accounts.
 - The Provincial Comptroller provides policy and functional direction and guidance to departments through departmental Executive and Senior Financial Officers on matters relating to financial management including the internal control system.
 - Departmental Executive and Senior Financial Officers are responsible and accountable for departmental financial management including compliance with financial policies and guidelines approved by the Treasury Board and requirements established under the authority of the Comptroller.
- Deputy Ministers are responsible for the operation of their department. The financial operation of the department is carried out by the EFO in accordance with the policies, functional direction and guidance provided by the Provincial Comptroller through the EFO and/or SFO.
- Departmental Executive and Senior Financial Officers are responsible and accountable for departmental financial management including financial policies and guidelines established by the



Provincial Comptroller in the Financial Administration Manual and other policy directives. Departments must comply with all policies outlined in the Financial Administration Manual, Procurement Administration Manual and the General Manual of Administration. The Executive Financial Officer has oversight comptrollership responsibility, and provides functional direction to all Special Operating Agencies (SOA's) within the department's purview.

Financial Management Principles

Financial Management Principles identify the fundamental basis of financial management and is the foundation for Manitoba's stewardship objectives. These principles inform strategic and operational activities that help achieve government objectives. The principles are as follows:

1. **Accountability** - Ownership of mandates, challenges, decisions, actions and resulting outcomes; accepting and acting on our accountabilities and responsibilities to ensure funds and resources are used appropriately for their intended purposes and are recorded and reported accurately on a timely basis.
2. **Transparency** - Visibility and openness; stakeholders receive clear, relevant and timely information about the government's use of the resources entrusted to it.
3. **Value for Money** - Best use of resources and public funds to achieve desired outcomes for the benefit of Manitobans, balancing effectiveness with efficiency and economy.
4. **Sustainability** - Maintained ability to deliver desired outcomes in the near and long-term; today's decisions are taken with the impact on future costs and financial viability in mind.
5. **Risk Management** - Risks to achievement of objectives, principles and requirements must be identified, managed and mitigated, taking into account likelihood of occurrence and scale of impact.

The core public service will operate under a shared set of fundamental beliefs and attitudes about how the public service functions. Members of the public service are expected to demonstrate these beliefs and attitudes through their behavior. For further information, refer to the [Manitoba Code of Conduct](#).

Comptrollership Framework

Managers at all levels within departments and agencies are responsible for ensuring that there is sound comptrollership within their area of responsibility, and for ensuring all employees are aware of their responsibility for the stewardship of all resources entrusted to them.

The Manitoba Comptrollership Guide – Departmental Comptrollership Plan User Guide indicates that Departmental Audit Committees (DACs) have governance responsibility over financial reporting, internal controls, financial risk management, and oversight responsibility for a department's values and ethics. The main function of the DACs is to assist Deputy Ministers and their Executive Management Committees in the identification of matters of internal control, risk management and governance for their department. It is required that all departments have a Department Audit Committee that meets regularly according to the Comptrollership Guide.

Manitoba Framework for Internal Control

Manitoba's Internal Control Framework is based on principles of COSO's 2013 Internal Control - Integrated Framework, as interpreted and applied for Manitoba by the Office of the Provincial Comptroller.

The Manitoba Internal Control Framework informs:

- Development of internal controls that effectively and efficiently
 - Manage risks,

- Support proper reporting of financial activities, and
 - Supports compliance with policies, procedures, legislation and regulations
- Identification and elimination of ineffective or redundant controls
- Sound governance, oversight and decision-making in relation to what constitutes an effective system of internal control and management of the GRE

The OPC Internal Control Framework includes the following components:

1. **Control Environment** - The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the basis of all other components of internal control, providing discipline and structure. Factors in the control environment include integrity, ethical values, the operational style of administration, the delegation of authority systems, as well as the processes for managing and developing people in the organization
2. **Risk Assessment** - Each entity faces a variety of risks from external and internal sources that must be assessed. A prerequisite for risk assessment is the establishment of objectives and, therefore, risk assessment is the identification and analysis of risks relevant to the achievement of the assigned objectives. Risk assessment is a prerequisite for determining how risks should be managed.
3. **Control Activities** - Control activities are the policies and procedures that help ensure that management directives are carried out. They help to ensure that the necessary measures are taken to address the risks that may hinder the achievement of the entity's objectives. Control activities occur throughout the organization, at all levels and in all functions. They include a range of activities as diverse as approvals, authorizations, verifications, reconciliations, operational performance reviews, asset safety and segregation of functions
4. **Information and Communication** - Information systems play a key role in internal control systems, as they produce reports, including operational, financial and compliance-related information, which make the operation and control of the organization possible.
5. **Monitoring Activities** - Internal control systems must be monitored, a process that evaluates the quality of system performance over time. This is achieved through continuous monitoring activities or separate evaluations. Internal control deficiencies detected through these monitoring activities must be reported upstream and corrective measures must be taken

Appendix A: [Manitoba Comptrollership Framework \(Dec. 2022\)](#)

There is an important requirement for a financial management role within departments to:

- understand and interpret central government financial management policy;
- develop departmental policy as required to meet the unique characteristics of the department; and
- provide input to the central policy development function regarding the system of financial management.

The departmental financial management system serves a dual function. It must be designed to provide financial information to aggregate into the central government budget and accounting processes as well as serving the financial informational needs of departmental management. The departmental financial manager must fulfil the need for compatibility in the framework of the government-wide financial system while also recognizing the nature, scope, size and complexity of the department.

The overall role of the departmental financial management system is:

- To ensure that program delivery and major project decisions routinely take into account financial management considerations.
- To prepare and present complete, accurate, relevant and timely financial information to serve the needs of departmental management decision making and reporting processes.
- To prepare and present complete, accurate, relevant and timely financial information to serve the needs of the government-wide system of financial management, in particular the budgeting and accounting processes.
- To identify, understand and accept accountabilities for the key activities essential to effective financial management in concert with [The Financial Administration Act](#), Treasury Board Directives, central government and departmental policy; and to co-ordinate these activities on a cost-effective basis.
- To ensure the integrity of financial processes, encompassing all financial and information systems, the full control environment, and financial and information systems security.
- To develop departmental financial policy and procedures, and to ensure these activities are documented in departmental financial and operating manuals and reflected in job descriptions.
- To review and make improvements as necessary to the system of financial administration within the department and to ensure the effectiveness of the changes.
- To recommend new initiatives and policy changes to the government-wide system of financial management, and to work in concert with central financial officers in maintaining a cohesive network across the government.

INTRODUCTION

In consideration of the inter-relationships which exist between departments and central government, the departmental financial management organization structure requires a design which can provide not only for departmental financial management, accounting and informational needs, but also for compatibility within the framework of existing government-wide financial systems.

The departmental structure must be responsive in interpreting central government policy; in developing departmental policy as required to meet the unique characteristics of each department; and in providing input to the central financial and accounting systems.

The organizational arrangements for managerial personnel in departmental financial administration systems varies among departments, depending on such factors as size (both in terms of budget and staff), geographic dispersion, nature of the department's financial transactions, and the degree of statutory spending versus discretionary use of public funds. As well, departmental management is extended to include oversight to agencies and other entities that report to it. Although there are no specific position titles in the financial management function which apply across all departments, there are general functionary descriptions, with specific roles and responsibilities as follows:

ROLE OF THE MINISTER

When a department is established (or continued) by an Act, and otherwise by convention, the Minister presides over the department and is responsible for the administration of Acts within the department's jurisdiction, and for ensuring proper financial management is conducted within the department.

ROLE OF THE DEPUTY MINISTER

Deputy Ministers are appointed by Order-in-Council as the chief administrative officers of departments working under the direction, or subject to the approval of the Minister. As senior executive officer within the department, the Deputy Minister is responsible and accountable for ensuring appropriate financial management processes, practices, systems and controls across the department, including the responsibility for departmental comptrollership. The Deputy Minister is accountable for a department's financial administration, including measures against fraud, even though specific authority for its management may be delegated, and jointly signs off on the management representation letter with the Executive Financial Officer (EFO) as certification that adequate systems of internal control are in place.

ROLE OF THE EXECUTIVE FINANCIAL OFFICER (EFO)

Within each department, the Deputy Minister, in consultation with the Provincial Comptroller, will designate an Executive Financial Officer (EFO) to assume responsibility for the comptrollership role, thus ensuring compliance with government policy on financial management and administration, and for establishing and maintaining financial management, administration and control systems within the department. The EFO also has oversight comptrollership responsibility for, and provides functional direction to all Special Operating Agencies (SOA) within the department's purview. In large and complex departments this individual is usually an Assistant Deputy Minister or Executive Director responsible for the finance and administration functions of the department. In the case of intermediate and small departments, this position can be occupied by a Director of Finance and Administration. The EFO will be a member of the departmental executive group, whose responsibilities will include:

- advising the Deputy Minister and the executive group on the needs of the department in the area of financial management and control
- advising the Deputy Minister and the executive group on the financial implications of decisions, both during planning and operation
- advising on the application of legislative, regulatory and other financial requirements of the department
- maintaining a close working relationship with the Provincial Comptroller at the central government level
- exercising functional leadership over line managers on matters concerning financial management within the department
- directing the departmental budget preparation process
- establishing and maintaining adequate and effective processes, practices and systems for financial management, administration and control
- providing guidance on the organization, staffing and training of financial officers
- certifying the management representation letter, jointly with the Deputy Minister, that adequate systems of internal control are in place.

ROLE OF THE SENIOR FINANCIAL OFFICER (SFO)

Financial officers operate at various levels within each department. Some report directly to the Executive Financial Officer (EFO), while others report to managers responsible for the program areas within which they are stationed. As the EFO is often responsible for a number of specialized functions in addition to financial management (e.g., information technology, personnel management, administration), it is necessary to designate an officer who will be directly responsible for the implementation of departmental financial management processes on a day-to-day basis. This financial officer is referred to as the Senior Financial Officer (SFO). This position is typically a Director of Finance and Administration in large and complex departments, and in intermediate and small departments, this function is sometimes referred to as Financial Manager.

The SFO is a functional specialist in the management of financial activities, whose specific responsibilities include, but are not limited to:

- classification of accounts
- assisting and coordinating budget preparation
- maintaining proper records to control budgets and forecast cash requirements
- assisting in the provision of financial reports and co-ordinating development of information for reporting in the Public Accounts
- designing and operating effective processes and systems for financial management, administration and control
- overseeing the effective operation of delegated financial authority, including exercising payment authority
- maintaining proper accounting records
- claiming, accounting, collecting and safeguarding all public money
- overseeing organizational arrangements, staffing and training within financial units to ensure their capability in delivering financial services as required.

ROLE OF THE PROGRAM/RESPONSIBILITY CENTRE MANAGER

The primary role of the program or responsibility centre manager is to manage the human, physical and financial resources placed at their disposal to ensure that the outputs and benefits contribute to the objectives of the department in an economical, efficient and effective manner. Program/responsibility centre managers with delegated authority also have departmental

comptrollership responsibilities for aspects of financial management and administration within their scope of authority.

Such responsibilities include:

- budget preparation, control and management
- monitoring and responding to budget variances
- determining requirements for financial reporting
- reviewing and acting upon financial reports
- exercising delegated authority to initiate expenditures and certify satisfactory contract performance
- directing the activities of financial officers reporting to them.

In situations where it appears unnecessary or impractical for there to be a full-time financial officer within a responsibility centre, the structure and processes for financial management and control within the responsibility centre must be approved by the Executive Financial Officer.

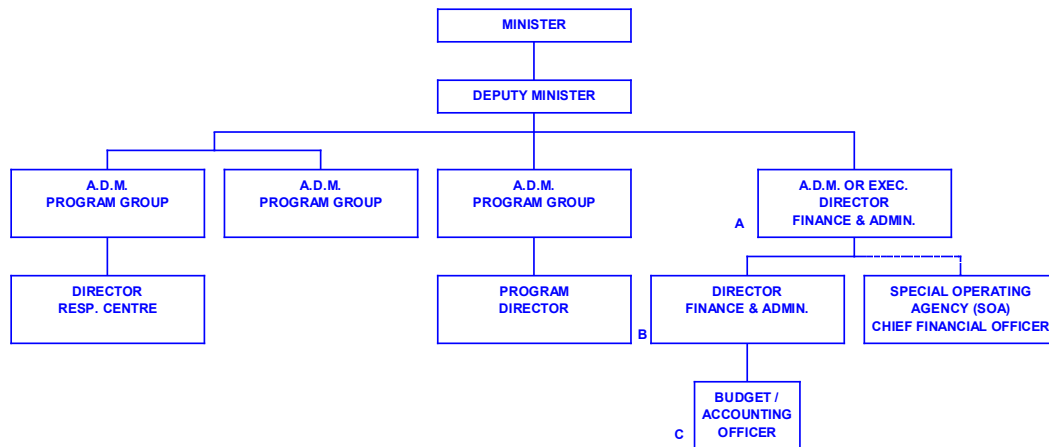
ROLE OF FINANCIAL STAFF OFFICERS

The number and title of financial staff officer positions varies contingent on the factors of size, complexity of the department, etc., mentioned earlier. In general, staff officers may be found in departments at the following levels.

- **Departmental Level** - to assist the Executive and Senior Financial Officers in providing direction and policy to the department.
- **Program/Responsibility Centre Level** - to assist the program or responsibility centre manager in interpreting and applying departmental financial requirements in a manner which satisfies the unique needs of the program or branch.
- **Regional/District Level** - when it is necessary to decentralize financial functions to match operational/service requirements.
- **Other Levels** - when special financial expertise is required due to a number of unique characteristics of an operation.

The charts that follow portray departmental organizational structures appropriate to the finance and accounting functions. Since structure is directly linked to size as well as other factors, the following two charts show both the essential structure and the various relationships between the parts within both larger and smaller departmental organizations.

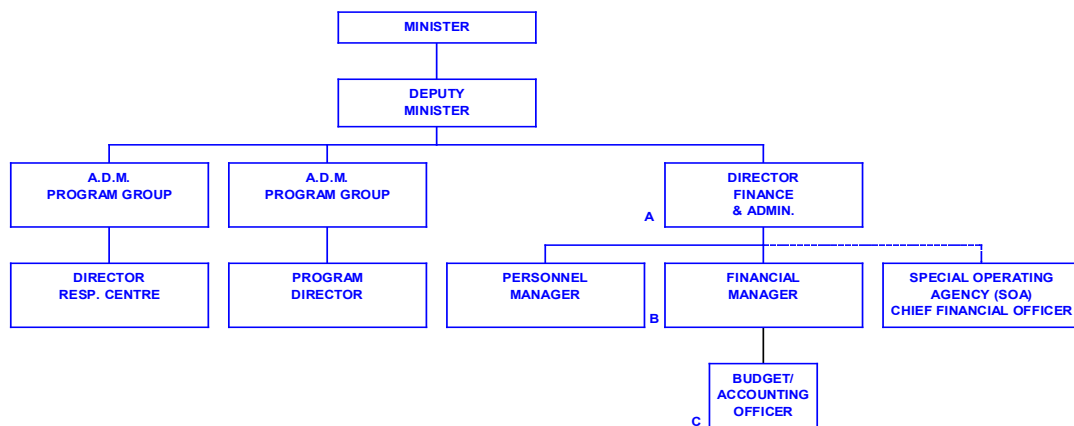
LARGE AND COMPLEX DEPARTMENTS:



- NOTES:**
- A** - Typical organizational level and orientation of an Executive Financial Officer, with multi-functional responsibilities.
 - B** - Typical organizational level of Senior Financial Officer.
 - C** - Typical organizational level of Financial Staff Officer.

B

INTERMEDIATE/SMALL DEPARTMENTS:



- NOTES:**
- A** - Typical organizational level and orientation of an Executive Financial Officer, with multi-functional responsibilities.
 - B** - Typical organizational level of Senior Financial Officer.
 - C** - Typical organizational level of Financial Staff Officer.

The departmental role in the financial management function is essential to both the operations of the department and overall functioning of the central government systems. The size and scope of the function within departments varies, and is dependent upon the nature, size and complexity of the specific department. Financial systems within each department should be tailored to meet the unique characteristics of that department. However, there are several general activities that are fundamental to the proper functioning of departmental financial systems. These key activities span the scope of financial management and are applied in differing degrees dependent on hierarchical level and financial complexity of the department. In every case, the financial management systems must meet the minimum standards necessary to fulfil the requirements of [The Financial Administration Act](#).

The key financial activities are:

Classification of Accounts

- designing and maintaining a classification of accounts that provides a framework for gathering and making visible all the financial information that the Legislature, central government and departments may require on the purpose and nature of, and responsibility for, resources involved in departmental operations.

Financial Planning and Budget Preparation

- co-ordinating and assembling financial data for use in preparing budgets and ensuring that such data are accurate.
- formulating guidelines for budget preparation. This includes providing appropriate instructions, in concert with the Estimates instructions, and identifying the following: types and levels of activity planned, constraints to be recognized, unit costs, costing formulae, forms and methods to be used, and timetables to be respected.
- reviewing budgetary submissions including departmental Estimates submissions, to verify costs and to ensure that all instructions have been followed.
- reviewing and analyzing the financial implications of all submissions to Cabinet and Treasury Board.

Budgetary Control

- maintaining records to ensure that appropriation and allotment limits are not exceeded.
- forecasting cash requirements.
- assisting program/responsibility centre managers in analyzing and explaining budgetary variances in terms of price, volume and efficiency.

Financial Systems and Controls

- designing and operating systems of accounting and internal control.
- establishing standards and techniques for cash, commitment, accrual and cost accounting.
- identifying the needs for cost information and recommending and implementing techniques to generate it.
- designing coding techniques that easily provide all required information as well as enable aggregation as central government cost elements.

Expenditure/Accounts Payable Control

- identifying the need for and recommending appropriate delegation of spending authority.
- exercising spending authority under [The Financial Administration Act](#) and the annual Appropriations Act, with the attendant review of legality of payments and testing of statutory financial controls.
- maintaining a record of and communicating as required, information on all financial signing authorities granted by the Minister and Deputy Minister.

Tangible Capital Assets

- maintaining financial control over inventories and other assets through the use of a record keeping system.

Revenues/Accounts Receivables Control

- claiming, accounting, collecting and safeguarding all public money.

Financial Reporting

- designing and providing managers with financial reports that are complete, timely, accurate and relevant, and that meet their needs for financial information, including information on budgetary variances.
- co-ordinating and consolidating information for input into departmental financial reports and the Public Accounts.

Internal Audit

- identifying areas for audit, and advising on the coverage and scope of internal audits.
- acting on recommendations arising from internal audits on matters concerning financial management.

The financial cycle represents the time frame and the order through which the three principal components of the financial management process takes place, namely:

- the **planning** of government financial requirements and the acquisition and allocation of financial resources in terms of operation;
- the **controlling** of financial activities in terms of actual expenditure utilization against plan and resource allocation: and
- the **reporting**, analysis, review and evaluation of financial operations and the financial component of programs as they relate to financial plans and available resources.

As the word "cycle" suggests, these processes take place within a defined time frame. The beginning of the cycle activates the planning process, followed by a phase during which financial control of approved operations occurs, followed by a phase involving financial reporting. The cycle culminates in the printing of the annual Public Accounts of the Province and the tabling of departmental Annual Reports. Each of these processes will be discussed in detail in the chapters that follow.

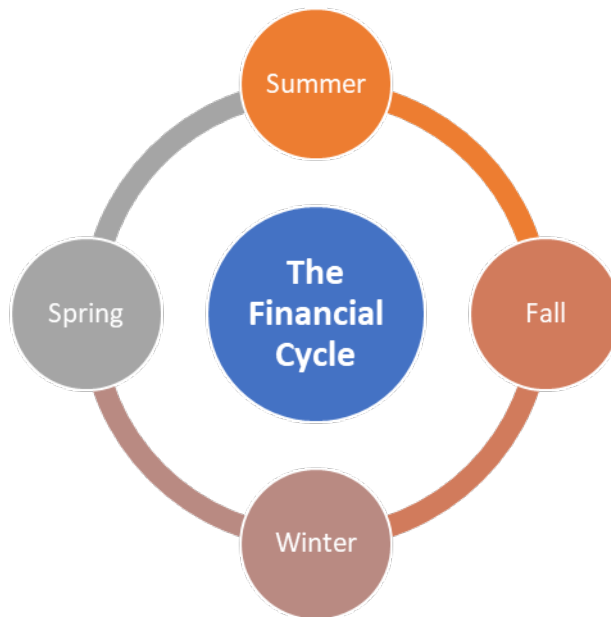
The complete financial cycle spans a time frame of approximately 32 months. Centrally, planning activities begin very early in the cycle. Departmentally, the official start of the cycle is signalled by the announcement of planning (Estimates) guidelines, however, it is recognized that planning related initiatives may have preceded this.

There is an overlapping nature to the financial cycle whereby in any given year there are actually three cycles concurrently in operation: a new cycle begins with the planning for a future year; the current operating phase which is the controlling of a current year; and the ending of an old cycle which is the reporting on a previous year,.

The processes, together with the procedures and systems which have been developed for their operations, provide the information base necessary for informed decision making, improved control and accountability, and the capability to measure results and comment on the economy, efficiency and effectiveness of program operations from a financial perspective.

Table: Financial Cycle Timeline

Fiscal Year is April 1 st - March 31 st	SAP Period	Month	Year 1 (Future year)	Year 2 (Current year)	Year 3 (Prior year)
	1	April		- Budget Day - Estimates tabled in Leg - Estimates Supplement 12 month Cash Flow forecast	Year-end Financial Reports (to Central Finance) (Period 13)
	2	May		- Final Estimates Review Minutes - Committee of Supply	Final Accrual (Period 14)
	3	June		Appropriation Act	Year-end Variance Reports (to TBS)
	4	July	BEGINNING OF CYCLE	- Department Plan due to TBS 1st Quarter Cash Flow forecast	Management Representation Letter
	5	August	Pre-Estimates Planning		
	6	September			- Departmental Annual Reports - Province's Annual Report & Public Accounts END OF CYCLE
	7	October	Preliminary Estimates Call	2nd Quarter Cash Flow forecast - Crown Reporting	
	8	November	Submit Estimates		
	9	December	- Estimates Review by government - Summary Budget development by government		
	10	January		3rd Quarter Cash Flow forecast - Crown Reporting - Supplementary Funding	
	11	February		Crown Reporting updates	
	12	March	- Preliminary Estimates Review Minutes - Department Proofs - Interim Supply		



Summer

- Departmental planning

Fall

- Preliminary estimates (call for estimates for next year) and public accounts (for previous year)

Winter

- Estimates review

Spring

- Budget, Supplement to the Estimates of Expenditure, Estimates of Expenditure and revenue

INTRODUCTION

Responsibility for the control and spending of public money is placed on Ministers by the Legislature through various Acts (e.g., [The Financial Administration Act](#), [The Executive Government Organization Act](#), [The Interpretation Act](#), [The Public Service Act](#), [The Government Purchases Act](#), etc.), and Regulations to those Acts. To expedite the fulfilment of responsibilities, it becomes necessary for Ministers to delegate certain authorities to departmental officials.

Please refer to **General Manual of Administration - Policy 7.2**.

Authority vested in a minister under any act of the Legislature by the Lieutenant Governor in Council may be delegated to any position within the jurisdiction of that minister. All such delegations are subject to such limitations, restrictions, conditions and requirements imposed by legislation and by the minister.

The extent to which delegation is to occur shall be established by each minister, having regard to the nature and volume of work, the existing division of responsibilities and the administrative organization within the department or agency.

No manner of restriction shall be included in a delegation document if adherence to that restriction cannot easily be confirmed by an audit.

If services are being provided to another department, additional delegated authority is required as ministers can normally only delegate to positions within the jurisdiction of that minister. In order to support the provision of shared services to another department, Minister of Finance approval is also required as per the [Financial Administration Act](#):

Shared services

12.1(1)

The following definitions apply in this section.

"provide", in relation to shared services, means to do any act or thing required, permitted or authorized to be done by a minister, including the Minister of Finance, under this or any other Act of the Legislature. (« fournir des services partagés »)

"shared services" means one or both of the following services:

- (a) services in respect of fiscal management and control, including budgeting and administering accounts payable and accounts receivable;
- (b) services in respect of administering capital programs, including purchasing and contract management. (« services partagés »)

Delegation of Minister of Finance's powers

12.1(2)

The Minister of Finance may authorize, in writing,

- (a) an employee of the Department of Finance to provide shared services to one or more other government departments; or

- (b) an employee of any other government department to provide shared services to the employee's department and one or more other departments.

Delegation of other minister's powers

12.1(3)

The minister responsible for a government department may authorize, in writing, an employee of the government to provide shared services to the minister's department if the employee is authorized to do so by the Minister of Finance.

Through formal instruments of delegation, Ministers legally and explicitly delegate authorities necessary for the control and spending of public money bestowed upon them by legislation or executive regulations to designated subordinate positions within their respective departments/agencies.

Delegation of financial signing authority is the mechanism by which designated individuals become legally empowered to exercise specific authorities for financial transactions within departments on behalf of the government.

The delegation of financial signing authority process ensures that all financial transactions entered into on behalf of the government are done so by authorized agents of the government, and that there is a system in place for the control of activities impacting the Consolidated Fund. This control is facilitated in large part through the separation of duties/signing authority types by delegation to different positions within the organization.

FINANCIAL SIGNING AUTHORITY TYPES

The [delegation of financial signing authority chart](#) is a formal instrument approved by a Minister that outlines the minimum information requirements for departments and includes five categories of financial signing authority. Descriptions and examples of these categories are outlined in the [DFSA Description of category document](#).

NOTE: Persons with authority to access the government's central financial and accounting system (SAP) **do not** automatically acquire spending and/or payment authority as a result of their SAP license or assigned financial role. The delegation of spending, payment, or any of the authorities outlined in this chapter must come from the departmental Minister through the formal approval of the departmental delegation of financial signing authority chart.

In addition, the central financial and accounting system places restrictions on the performance of certain SAP financial roles. For details, please refer to [8C-1.0](#).

The five categories of financial signing authority are:

Workforce Management Responsibilities

In the context of this policy (and in combination with proper payment authority), workforce management responsibility is the authority to carry out certain actions respecting the employment of staff in accordance with The Public Service Act, the results of which will impact the Consolidated Fund. Such actions commit and encumber funds for payroll, benefits, and other personnel-related costs. The Public Service Act delegates these responsibilities to the Deputy Minister.

NOTE: Workforce Management Responsibilities can only be delegated within the jurisdiction of that deputy minister and is distinct from Staffing Authority that is exercised by the Public Service Commission.

Spending Authority

Spending authority is the authority for a delegated position to incur expenditures or commit funds against appropriations, within the limits delegated by the Minister, for the purpose of procuring goods and/or services on behalf of the government and in conformance with established policies.

Spending authority includes:

- Spending (initiation) authority, which is the authority to commit funds and enter into agreements (within the same delegated level) to procure goods and/or services, and
- Spending (approval) authority, which is the authority to certify satisfactory receipt of goods and services, and to confirm that an invoice is in accordance with the terms and conditions of the agreement.

Payment Authority

Payment authority is the authority for authorized positions to request disbursements from the Consolidated Fund for the payment of goods or services that are charged against the applicable appropriation.

Refund Authority

Refund authority is the authority to request disbursements from the Consolidated Fund for the repayment of excess funds supplied in payment to the government and recorded as revenue.

Other Authority

Other delegated authorities may also exist for the department. These can vary depending on the department's operations. This category enables departments to include special delegated authorities or other authorities they want to include in their departmental delegation of financial signing authority chart.

The roles and responsibilities of those positions and organizations that develop, implement and maintain the delegation of financial signing authority process are as follows:

The Minister of the Department is responsible for approving the delegation of financial signing authorities either to positions within departments through approval of the delegation of financial signing authority chart, or to individuals by way of an Order-in-Council.

The Deputy Minister of the Department is responsible for ensuring that all recommendations regarding financial signing authorities made by the Executive Financial Officer (EFO) meet the requirements of the department. Upon review and concurrence of the delegation of financial signing authority chart, the Deputy Minister will submit the recommendations to the Minister for approval.

The Departmental Executive Financial Officer (EFO) is responsible for overall management, coordination and application of the delegation of financial signing authority processes within the organization, thereby ensuring that the delegation process will be carried out consistently and in a complete, accurate and timely manner. The EFO is also responsible for ensuring that the process implemented is appropriate and relevant to the department's structure and operating needs, and that it is adequately documented and communicated to all staff participating in the process. The EFO is responsible for ensuring that financial disbursement transactions, including refunds, are appropriately carried out in accordance with established delegation of financial signing authority policies and procedures. The EFO also has oversight responsibility for audit/review of the spending/payment function within a department.

Assistant Deputy Ministers / Division Heads are responsible for the review and recommendation to the EFO for delegations across the division, ensuring that the delegations are appropriate for the type and volume of work performed, and that staff within their responsibility area understand their delegate responsibilities and are managing them appropriately.

Program Managers are responsible for supporting the delegation process by reviewing, updating and reporting any and all changes affecting delegations within their respective operating units. Responsible to ensure that staff within their responsibility area understand their delegate responsibilities and are managing them appropriately.

Incumbents of positions to which financial signing authority has been delegated are responsible for ensuring that they understand and acknowledge the authorities of the position which they have assumed, for following care and due diligence in all financial transactions that they enter into on behalf of the government, including avoiding any potential conflict of interest situations, and for completing a specimen signature card.

Treasury Board Secretariat is responsible for developing and communicating the delegation of financial signing authority policy and procedures, and for providing advice and assistance to departments on such matters. Treasury Board Secretariat, the Office of the Provincial Comptroller is responsible for collecting delegation of financial signing authority charts and ensuring compliance with completion of the charts.

The following principles provide a basis for application of delegation of financial signing authority.

SEPARATION OF SPENDING AND PAYMENT AUTHORITIES

Spending authority cannot be exercised in conjunction with payment authority nor refund authority by the same position for a particular transaction. This principle of segregation of duties recognizes the need for a division of duties to minimize the possibility of financial misconduct and thereby contain the liability exposure of individual staff.

EXERCISE OF SPENDING (INITIATION) AUTHORITY

No commitment on behalf of the government is to be entered into by any incumbent of a position which has been delegated spending (initiation) authority without verifying that there are sufficient funds available in the account, budget or appropriation for the purchase of the required goods and/or services (see *The Financial Administration Act* [Section 34 - "Use of Appropriation"](#)).

This principle recognizes the need for those individuals exercising payment authority to have assurance from the manager or designated alternate responsible for the initiation of the expenditure that there are sufficient funds available in the appropriation, budget or account before payment is requisitioned.

EXERCISE OF SPENDING (APPROVAL) AUTHORITY

Regardless of who accepts delivery of the goods or services, the delegation for spending (approval) authority for goods and services received must be for positions whereby an incumbent is expected to have the ability to assess the quality and completeness of the delivery.

This principle recognizes that the province enters into many contracts/agreements for goods and services that have deliverables, terms and conditions that require a high level understanding of the contract/agreement to ensure that the vendor has fully met all of the deliverables. The incumbent exercising spending (approval) authority must be in a position to attest:

- Goods received are what was ordered, and in the correct quantity and quality, and that the invoice reflects the agreed upon price;
- Services received are what was contracted, all deliverables and performance criteria met, and that the invoice reflects the agreed upon prices; and
- Any other required conditions or deliverables have been met.

On the DFSA chart this authority is known as "Certification of Goods Received or Services Performed".

EXERCISE OF PAYMENT AUTHORITY

No payment authority is to be exercised without certification from the spending (initiation) authority with sufficient delegated authority for the expenditure that the commitment has been authorized and that sufficient funds are available for this purpose (see *The Financial Administration Act* [Section 34 - "Use of Appropriation"](#)).

No payment authority is to be exercised without certification from the spending (approval) authority delegate that the work performed, the goods supplied and/or the services rendered were satisfactory and in accordance with the agreed terms as required by [Section 44\(1\) of The Financial Administration Act](#).

SPECIAL LIMITS ON FINANCIAL SIGNING AUTHORITY

Government-wide administrative policies established by Treasury Board and published in the [General Manual of Administration \(GMA\)](#) place limits upon the exercise of delegated signing authority. The exercise of all financial signing authority delegations must comply with applicable government policy.

In instances where a position which has been delegated departmental payment authority in a central departmental payment system is also a Responsibility Centre or Program Manager (e.g., Director of Administration and Accounting), payment authority for the responsibility centre must be delegated to an alternate position in the organization so that spending authority and payment authority are not exercised by the same position for a particular expenditure.

MANAGERIAL RESPONSIBILITY

Managers at each level of the organizational hierarchy are responsible for any actions carried out by their subordinates in the operation of functional and managerial duties as assigned. The assignment of duties does not relieve the manager of his/her overall responsibility regarding financial and managerial control. The manager must therefore ensure that the delegation of financial signing authorities is effectively designed and operated within their area of responsibility.

INCUMBENT RESPONSIBILITY

It is the responsibility of each incumbent to ensure that, regardless of financial signing authority provided, that in instances where a real or perceived conflict of interest situation exists, the incumbent does not exercise their financial signing authority in these instances.

FINANCIAL SIGNING AUTHORITY POLICIES

1. Financial signing authorities must be delegated formally and in writing by the Minister responsible for the department or agency.
2. Financial signing authorities must be delegated to designated organizational positions.
3. Where no established position exists, financial signing authority may, in exceptional circumstances, be delegated to a specific individual by way of Order-in-Council (See "[Special Circumstances](#)" for details).
4. Financial signing authorities conferred by the Minister to organizational positions/individuals cannot be re-delegated to subordinates, except as expressly approved by the Minister.
5. An employee will be permitted to exercise signing authorities delegated to another position on a temporary basis only when he/she is formally designated to assume such duties temporarily (i.e., acting status) (See "Special Circumstances" for details).
6. Instruments used to delegate financial signing authorities, depending on the situation, will be either:
 - a Ministerial Statement in the form of a delegation of financial signing authority chart, where delegation is **to established positions**; or
 - a Ministerial Statement in the form of an Order-in-Council, where the delegation must be effected under *The Executive Government Organization Act*, as in the case of delegation **to an individual**.
7. Financial signing authority cannot be exercised until:
 - The Minister has formally authorized the delegation;
 - the delegate has been apprised by the department of the responsibilities and purpose of the delegation;
 - the specimen signature card has been properly completed; and
 - the appropriate central agencies have received written notice of the delegation.
8. Delegates will exercise only those signing authorities formally delegated to their position, and only within the prescribed limits and/or restrictions applicable.
9. Delegates will only exercise signing authorities in circumstances where there is **no** real or perceived conflict of interest situation.
10. The misuse of authorities by individuals to whom they have been delegated constitutes sufficient cause for limiting or withdrawing the authority or progressive disciplinary action up to and including dismissal.
11. Financial signing authorities will be delegated, communicated and updated by departments in a manner and form conducive to the timely and adequate control over the spending of public funds.

12. All delegated financial signing authorities must be reviewed annually (at a minimum) at calendar year-end. Additional reviews may be warranted on an "as required" basis as determined by the Executive Financial Officer (EFO). In all instances, financial signing authorities must be updated on a timely basis to ensure that delegation information is, at all times, complete, accurate and current. Office of the Provincial Comptroller should be provided with copies of the most current delegation of financial signing authority charts at calendar year-end, or advised in writing by the EFO and Deputy Minister if no changes to delegations have occurred since the last submission of charts.
13. Instances where a complete review and update of departmental financial signing authorities would be required include:
 - the appointment of a new Minister,
 - Where the appointment of a new Minister has occurred, it is required that departments ensure that the Minister has reviewed and formally approved the existing delegations. If he/she concurs with those existing delegations, the Minister to provide formal, written acknowledgement in this regard (in the form of a memorandum, referencing the date of the delegation chart(s) the Minister is ratifying) to the OPC (See [2E-1.0](#)). within one month of the Minister's appointment.
 - a reorganization that affects the department,
 - Where a reorganization has occurred that affects the department, it is required that departments ensure the Minister provides written acknowledgment of the existing delegations at the date of the reorganization, to ensure compliance, yet allow time for an adequate review of delegations within the new structure. Written acknowledgement can be in the form of a memorandum, referencing the date of the delegation chart(s) the Minister is ratifying and is to be provided to the OPC. Updated delegation charts, based on the new structure, must be provided to the OPC by the time The Appropriation Act passes (approval of the Budget).
 - any change to an Act which affects the delegations.

In these circumstances, a new/revised chart must be submitted as soon as possible after the event to the OPC. If no change is required, a memo from the EFO and Deputy Minister is required to advise that no changes were required.

14. Departments are required to provide written confirmation of all additions, changes and deletions to delegated authority levels, limits, incumbents, position restrictions, etc., and must ensure that completed specimen signature cards are referenced to the respective delegation chart.
15. Effecting amendments to existing financial signing authorities requires appropriate documentation processed in the same manner as that prescribed for establishing financial signing authorities.
16. All attendance reports must be printed by the Timekeeper ("HR_TIM" role in the central financial and accounting system), and forwarded to the program manager for sign-off and initiation of corrective action if required. This signature constitutes certification of services received as well as payment authority in accordance with approved/negotiated salary agreements/contracts.

These program managers must be reflected on the delegation of financial signing authority chart for their respective area(s) of responsibility.

- NOTE:**
1. Interpretation and application of staffing agreements and contracts is a Human Resource responsibility and is subject to Delegated Staffing Authority, in combination with appropriate Workforce Management Responsibility and payment authority (see Section 2A-1.0).
 2. The default setting in the central financial and accounting system for attendance reports is at the "exception report" level. Departments should ensure that they are selecting the report that produces listings of **all** employees in order to properly gauge employee attendance.

FINANCIAL SIGNING AUTHORITY GUIDELINES

The following should be considered when establishing, reviewing or making changes to delegated financial signing authorities:

1. The authority delegated to a position should be sufficient, but not excessive, to allow the incumbent to discharge the responsibilities of the position. It is also essential that the delegated position be appropriately trained in financial policy and procedure in order to assume the delegated responsibility.
2. The level of authority delegated should be incremental, mirroring the organizational hierarchy of the department, i.e., supervisors should be delegated greater levels of authority than subordinate positions.
3. The extent to which authority is delegated throughout the organization normally depends on the administrative structure, the nature and volume of work, the division of program responsibility and the degree of decentralized activity. In most cases, delegation of authority should be established so as to place authority as close to the "front line" as possible, to enable front line staff to make decisions facilitating prompt and efficient service to customers.

The Executive Financial Officer (EFO) should assess the value added of extending payment authority to the program areas. For example, in a small department, where operations are not geographically disbursed, or where there is not a high volume of transactions, there is likely no advantage of extending payment authority to the program area, and payment authority should likely remain in the central departmental finance area.

When assessing the extent of delegation throughout the organization, departments should also assess the nature of the transactions being performed. For example, non-purchase order based transactions present higher control risks than purchase order based transactions; the more significant the expenditure, the more spending approvals required; the greater the risk/consequences regarding failure to follow, the more reason for maintaining payment authority in a central finance area of the department, etc.

4. There should be appropriate segregation of spending and payment authority in program areas, and no potential should exist for undue influence by the program manager over the financial officer in the field who is exercising payment authority.
5. Spending authority should normally be delegated to Responsibility Centre/Branch/Program areas.
6. Payment authority can, depending on the administrative structure of the organization, be delegated to positions responsible for processing invoices for payment; however payment approval for grants and contract payments should normally be delegated to the departmental EFO, but may be delegated further in the organization at the discretion of the EFO.
7. Refund authority should normally be delegated to the departmental EFO, but may be delegated to other organizational positions as necessary to fulfil operational requirements.

8. Workforce Management Responsibilities should normally be delegated to:

- an Assistant Deputy Minister;
- an appropriate senior financial officer responsible for payroll and related transactions within the organization;
- Responsibility Centre/Program Managers responsible for employment and related actions impacting the annual appropriation (e.g., overtime, merit increases, etc.)

As an alternative, the department could choose to delegate these responsibilities to Human Resources sector staff.

9. Formal substitute signing authorities should be put in place for those positions where operations could be hampered in the event of an extended absence.



The following are special circumstances requiring additional or alternative methods to effect the delegation of financial signing authority process.

CENTRALIZED PAYMENTS

Centralized payment systems are employed by departments to reduce administrative processing time and eliminate supplier late payment penalties for such services as photocopying and telephone. Each Responsibility Centre Manager is responsible for the initiation of transactions given the use of these services in the responsibility/cost centre. The central departmental accounting branch/area will act as payment authority for the department and will provide a list of items appearing as charges to each responsibility/cost centre.

Spending approval or certification of satisfactory goods and/or services received in the form of review and verification of the listed charges will be made by the responsibility/cost centre **after** payment has been made by the central departmental accounting branch/area. This neither precludes nor lessens departmental responsibility to ensure that only authorized expenditures are charged against the annual appropriation.

Upon verification of these charges, the lists should be retained by the responsibility/cost centre. Discrepancies between responsibility/cost centre records and reported items appearing as charges against the responsibility/cost centre budget should be recorded and reported to the central departmental accounting branch/area so that credit may be claimed for disputed items.

CONTRACTS

Where it is deemed appropriate to delegate financial signing authority to an individual hired under contract, the employment status of the individual will dictate how the delegation is to be effected, as follows:

1. An individual hired under [Section 28 of The Public Service Act](#) using an employment contract/agreement is considered to be a contract employee **within** the Public Service. Exercising financial signing authority delegated by the Minister could be a term or condition of employment specified in the contract.

In most cases, such employments are made against established organizational positions. If this is the case, and the position has already been delegated the necessary authorities, only specimen signature cards need to be initiated for the applicable delegation period. If the position has not already been delegated the necessary authorities, both a delegation chart amendment, and the necessary specimen signature cards must be processed for the delegation period.

2. Where an individual is hired on a special contract basis as an independent contractor where no established position exists, the individual **would not** be considered an employee of the Public Service even though there may be a requirement for the individual to exercise certain financial signing authorities on behalf of the government.

In such cases, the exercise of financial signing authority delegated by the Minister is permissible only where formally approved in accordance with [Section 10 of The Executive Government Organization Act](#), requiring a separate Order-in-Council to properly effect the delegation.

Appropriate specimen signature cards, a delegation chart amendment identifying the contractor by name and working title, and the Order-in-Council number approving the delegation will be required in these instances.

TEMPORARY APPOINTMENTS

Where the existing authority delegated to a position is to be assumed temporarily by an employee who has not been "appointed to" or otherwise assigned to that position, the employee may only assume those duties with proper delegation from the Minister responsible. Such situations may include the assumption of duties as stipulated in a job description, a person "on loan" from outside the government entity, staff under an Interchange Agreement, or for independent contractors (See above).

Such delegations may be effected on an "as, if and when needed" basis, or, by advance planning and preparation of a delegation chart for Ministerial approval (i.e., before the beginning of a fiscal year), designating substitute delegates required over the course of that year. The particular types of absences, absence periods and/or special circumstances must be reasonable, operationally motivated and identified for each substitute delegate (e.g., filling in for vacation periods of 5 or more working days, or for business travel of 3 or more working days, etc.).

The delegation chart must identify substitute positions entitled to assume signing authorities on behalf of existing delegated positions during short term, regularly recurring or other temporary periods of absence where normal acting status would not apply due to the restricted nature of the duties to be assumed and/or the limited duration of the period(s) to be covered. Specimen signature cards must also be issued for such delegations, in order to properly recognize the delegations being assumed during the specified period(s).

PURPOSE

The delegation of financial signing authority chart is used to identify all the positions (or designated individuals) within a department/agency to which financial signing authority has been delegated. It also identifies all authority types and any limits and/or restrictions placed on that authority.

POLICY

The departmental Executive Financial Officer (EFO) is responsible for co-ordination and recommendation to the Deputy Minister of the delegation of financial signing authority chart process, and should ensure that all recommended delegations are relevant to budgetary responsibilities, are in accordance with [GMA Section 8 and Table 8.3 through 8.9](#), and are properly reflected on the charts.

The Deputy Minister is then responsible for review and approval of workforce management responsibility delegations and for reviewing and submitting the recommendations to the Minister for review and approval of all other delegations.

PROCEDURES

1. The delegation chart should mirror the department's organizational structure by listing the appropriation number and name, position titles and Full-Time Equivalent (FTE) numbers to which financial signing authorities are delegated. The delegation chart should also provide for delegations being provided on a progressive basis with consideration for volumes and complexity of financial transactions in individual program areas.
2. Departmental supervisory staff should review existing delegation of financial signing authority charts at least annually (or as required). Recommended changes to delegation requirements are to be submitted to the departmental EFO, with accompanying justification, through the applicable Assistant Deputy Minister/Division Head. **In all instances, financial signing authorities must be updated on a timely basis to ensure that delegation information is, at all times, complete, accurate and current.**
3. A complete department-wide review of delegation charts is mandatory when:
 - a new Minister is appointed
 - any major reorganization affecting the department occurs, including transfers of responsibilities between departments
 - there is any change to an Act or policy which will affect existing delegations
 - direction is received from the Deputy Minister, Agency Head or departmental EFO
 - at least annually at year-end (and in advance of a new fiscal year)

NOTE: Where the appointment of a new Minister or a reorganization has occurred, to ensure that the Minister has reviewed the existing delegations, it will be sufficient, for the Minister to provide formal, written acknowledgement in this regard. Departments are to provide a memorandum signed by the Minister, referencing the date of the delegation chart(s) the Minister is ratifying to the Treasury Board Secretariat (See point #7 below). This will ensure the Minister has reviewed existing delegations, compliance to this policy, and allow time for an adequate review of delegations within the new structure (if applicable). Updated delegation charts, based on the new structure, must be provided to the Office of the Provincial Comptroller by the time The Appropriation Act passes (approval of the Budget).

- Where new, different or modified signing authorities for positions are required on a continuing basis, the necessary changes are to be made (with Ministerial approval) via an amendment to the current delegation chart. All such changes must be properly dated, referenced and clearly marked "**AMENDMENT**" and distributed to the appropriate central agencies (See point #7 below).

NOTE: Where temporary appointments to existing positions occur (e.g., acting status, term employees, secondments, employment contract staff, interchange agreements), an amendment to the existing delegation chart is not required as long as the position's delegated authorities remain unchanged (See "[Special Circumstances](#)").

- Each chart must be dated and signed by the Minister, Deputy Minister and EFO. In those instances where a significant number of charts will be forthcoming, a cover memo signed by the Minister, Deputy Minister and EFO, including the effective date of the delegations, may be attached to the delegation charts. Where used, the cover memo is to identify the each appropriation name and number of delegation charts attached, with each chart being individually numbered and stamped, "Original(s) Signed by Minister/Deputy Minister/EFO".

Once approved, electronic copies including the executed signature page, of the new or amended delegation of financial signing authority charts are to be immediately submitted to the Office of the Provincial Comptroller via (I:\TBSInter\BA_XX\For OPC), with notice provided to opcmb@gov.mb.ca.

"Originals" of the delegation charts are to be maintained by the departmental EFO in accordance with record keeping schedules. Departments are strongly encouraged to store these documents on their intranet site where they can be accessed by staff.

Electronic signatures are accepted provided that they are password protected digital PDF signatures with a specimen signature image and the name of the individual has been printed.

- The Office of the Provincial Comptroller must be advised annually in writing at calendar year-end if no changes to delegations have occurred since the last submission of departmental delegation of financial signing authority charts.

DESCRIPTION OF DELEGATION OF FINANCIAL SIGNING AUTHORITY CHART

A sample of the suggested format which outlines the **minimum expectations** for the delegation of financial signing authority chart appears on page 5 following. Departments may adapt and expand on this format to suit departmental needs, however **as a minimum, the information requirements as listed below must be clearly represented**. DFSA Chart Template and Chart Descriptions can be found on the [TBS SharePoint site](#).

Field	Information

1	the effective date for the current authorities delegated and the revocation of all former delegations of financial signing authority
2	the name of the department/agency
3	the sub-appropriation name of the division/branch/operating unit



NOTE: Reference must be made to the respective sub-appropriation number for each unit represented using the space above field 1.

- 4 the title and FTE number of the organizational position to which authority is delegated (e.g., Director of Finance, FTE # ____), or if no FTE # exists, the incumbent's job title and name to which authority is delegated, along with the corresponding Order-in-Council number (e.g., Manager of Accounting, incumbent's name, Order-in-Council # ____).
- 5 the organizational or responsibility area covered by each delegated authority (e.g., government, department, division, branch, or within a particular operating area/unit only).
- 6 the specific Workforce Management Responsibilities:
 - authority respecting employment of staff in accordance with *The Public Service Act*.
- 7 the specific Spending Authority. [See GMA Section 8:](#)

Spending (Initiation) Authority:

- payroll expenditures
- goods and services
 - tendered (competitive process)
 - sole source and direct award
 - emergency
 - Indigenous business set-aside/participation
- strategic consulting services
 - tendered (competitive process)
 - sole source, direct award and Indigenous business set-aside/participation
- accountable advances - [The Financial Administration Act, Section 46](#)
- journal entries.

Spending (Approval) Authority:

- certification of goods received or services performed - [The Financial Administration Act, Section 44\(1\)](#)

Additional spending authorities may be included as required by departmental need.

- 8 the specific Payment Authority:
 - payroll expenditures including employee registration, change, overtime, emergency salary advance and vacation salary advance
 - non-payroll expenditures
 - journal entry accounting adjustments

NOTE: A workforce management responsibilities signature is also normally required for payroll-related expenditures.

- 9 the specific Refund Authority:
 - transactions requesting refunds - [The Financial Administration Act, Section 20\(1\)](#)



Field	Information

10	Other Authorities:

	- departments may include other authorities as required by departmental need, e.g., contract signing above delegated authority level, purchasing cards, cheque exemption requests, cheque stop payments, cheque pick-up, etc.

11	the maximum dollar level of authority delegated (enter the applicable reference code in the appropriate authority column)

12	departments must include a key outlining/representing the characters and reference codes used to denote specific levels of authority, for example:

	<table><tr><td>H</td><td>-</td><td>\$00's (hundreds)</td></tr><tr><td>K</td><td>-</td><td>\$000's (thousands)</td></tr><tr><td>X</td><td>-</td><td>limited only within budgetary restrictions, guidelines and policy</td></tr></table>	H	-	\$00's (hundreds)	K	-	\$000's (thousands)	X	-	limited only within budgetary restrictions, guidelines and policy
H	-	\$00's (hundreds)								
K	-	\$000's (thousands)								
X	-	limited only within budgetary restrictions, guidelines and policy								

OR

	<table><tr><td>000's</td><td>-</td><td>All amounts are in \$000's of dollars</td></tr></table>	000's	-	All amounts are in \$000's of dollars
000's	-	All amounts are in \$000's of dollars		

Examples of reference codes representing transaction types and/or levels of authority or restrictions on that authority are:

	<table><tr><td>1OS</td><td>-</td><td>limited to \$1,000 per transaction for office supplies only</td></tr><tr><td>5K</td><td>-</td><td>limited to \$5,000 per transaction</td></tr><tr><td>X</td><td>-</td><td>limited only with guidelines and policy</td></tr><tr><td>--</td><td>-</td><td>no authority</td></tr></table>	1OS	-	limited to \$1,000 per transaction for office supplies only	5K	-	limited to \$5,000 per transaction	X	-	limited only with guidelines and policy	--	-	no authority
1OS	-	limited to \$1,000 per transaction for office supplies only											
5K	-	limited to \$5,000 per transaction											
X	-	limited only with guidelines and policy											
--	-	no authority											

NOTE: Although departments may choose their own characters/reference codes, the representation as outlined in the key should be consistent and shown on all departmental delegation charts.

NOTE: "X" is not to be used when there is a dollar maximum associated with the delegation. For example: Under the GMA, the Deputy Minister is authorized authority up to \$500,000 for tendered purchases. The chart should denote "\$500,000" and not "X" in order to provide transparency to the Minister on the delegations being provided.

13	the date signed and the signatures of the Minister, Deputy Minister and EFO

SAMPLE DELEGATION OF FINANCIAL SIGNING AUTHORITY CHART

Delegation of Financial Signing Authority Chart			FINANCIAL SIGNING AUTHORITY																		
Manitoba This Delegation of Authority revokes all previous Delegations of Authority concerning the Division/Branch identified below and is to be effective for _____, and is to remain in effect until revoked in writing by the Minister.			⑥ Workforce Management Responsibilities Workforce Management Responsibilities(Public Service Act)										⑦ Spending Authority - Initiation and Approval Payroll Expenditures Goods and Services – tendered (competitive process) Goods and Services – sole source and direct award General Manual of Administration Goods and Services – emergency Goods and Services – Indigenous business set-aside / participation, General Manual of Administration Goods and Services – tendered (competitive process) Strategic Consulting Services Agreements – tendered Strategic Consulting Services Agreements – sole source, direct award and Indigenous business set-aside / participation, General Manual of Administration Accountable Advances Financial Administration Act Certification of Goods Received or Services Performed Journal Entries Payroll Expenditures Non-Payroll Expenditures Journal Entries			⑧ Payment Authority Payroll Expenditures Non-Payroll Expenditures Journal Entries		⑨ Refund Authority (Financial Administration Act)		⑩ Other Authority	
Department	Division/Branch	Area of Authority																			
④	④	⑤																			

Every officer of the Department appointed to a position listed above, including any officer appointed officially on acting status, and upon completion of the Specimen Signature Card for this position is hereby granted financial signing authority in respect to the area(s) of the Department for the function(s) as indicated.

⑫ KEY (example) X Limited only with budgetary restrictions, guidelines and policy
 000's – All amounts are in \$1000's of dollars
 - - - No Authority

Date Executive Financial Officer
 Recommendation to Deputy Minister of Workforce Management Responsibilities
 Recommendation to Minister for Financial Signing Authority

Date Deputy Minister
 Approval for delegation of Workforce Management Responsibilities
 Recommendation to Minister for Financial Signing Authority

Date Minister
 Approval for Financial Signing Authority



PURPOSE

Specimen signature cards are used by departments and central agencies to verify that staff members exercising financial signing authority are employed in positions to which authority has been properly delegated, or that where necessary, the authority delegated has been specifically conferred on an individual by the Minister responsible.

POLICY

The incumbent (employee/individual) of a position must complete a [Specimen Signature Card](#) when:

- financial signing authority is initially delegated to the position which they encumber;
- the incumbent to a position delegated authority changes (either via formal or temporary assignment);
- the authority delegated to a position is being changed (i.e., any change occurs to the sub-appropriation/budget responsibility area, type and/or level of authority);
- authority is being delegated by the Minister Responsible to a specific individual by way of an Order-in-Council;
- any delegate is deemed to be an independent contractor; or
- authority delegated to an individual or to an independent contractor is being changed.

PROCEDURES

1. All authorized employees/individuals must complete a specimen signature card in accordance with the policies stated above.
2. The types and levels of authority indicated on the specimen signature card must not exceed those delegated to that position (or incumbent) by the Minister, as listed on the current delegation of financial signing authority chart.
3. The supervisor of the position listed on the specimen signature card, or the delegated workforce management responsibility, must certify the signature of the incumbent occupying that position.
4. Where temporary appointments to existing positions occur (e.g., acting status, term employees, secondments, employment contract staff, interchange agreements), new specimen signature cards must be prepared for the individual(s) and distributed accordingly.
5. Upon completion of any new specimen signature cards, or upon the revision of an existing card, an appropriate number of legible **copies** of the original specimen signature cards are to be maintained on file for departmental management control purposes. The **original copies** are to be forwarded to the departmental Executive Financial Officer (EFO).



DESCRIPTION OF SPECIMEN SIGNATURE CARD

Field	Information

1	the full name of the individual to whom authority is delegated
2	departmental card number (optional - for departmental control purposes only)
3	department name
4	official title of position or job (if applicable) occupied by the individual
5	the Full-Time Equivalent (FTE) number of the position to which authority is delegated. If delegation is to an individual, indicate the Order-in-Council number
6	the delegate's employment status in the current position or job (i.e., regular, temporary, acting status, job share, interchange agreement, etc.)
7	the effective date upon which financial signing authority is to be assumed by the delegate
8	the date upon which the delegation of authority is to expire (to be used for acting, term or other temporary appointments such as secondments or contract situations)
9	the specific signing authorities delegated to the position (or incumbent), cross-referenced to the respective delegation of financial signing authority chart. The types of authority and the applicable responsibility area should be identified.
10	any limits or restrictions placed on the delegation in accordance with the "key" as identified on the delegation of financial signing authority chart
11	the delegate's signature and initials
12	the title and signature of the delegate's immediate supervisor or the workforce management responsibilities, certifying the delegate's signature in field "11"



SPECIMEN SIGNATURE CARD				Manitoba 	
DELEGATE: Surname ①		Given Name		Initial	
DEPARTMENT ③		POSITION TITLE ④		CARD NUMBER ②	
STATUS ⑥		START DATE ⑦		FTE NUMBER ⑤	
Delegations Under		AUTHORITY DELEGATED:		EXPIRY DATE ⑧	
ACT / MANUAL	SECTION	Order in Council Number (if required)	Area:	RESTRICTIONS	
PSA P271		⑨	Workforce Management Responsibilities	⑩	
GMA			Spending Authority		
GMA			Payroll Expenditures		
GMA			Goods and Services - tendered (competitive process)		
GMA			Goods and Services - sole source and direct award		
GMA			Goods and Services - emergency		
GMA			Goods and Services - Indigenous business set-aside / participation		
GMA			Strategic Consulting Services Agreements - tendered (competitive process)		
GMA			Strategic Consulting Services Agreements - sole source, direct award and Indigenous business set-aside / participation		
FAA			Accountable Advances		
			Certification of Goods Received or Services Performed		
			Journal Entries		
			Payment Authority		
			Payroll Expenditures		
			Non-Payroll Expenditures		
		Journal Entries			
		Refund Authority			
		Other Authority			
This is to certify that I am aware of and accept the responsibilities related to these delegated authorities.			This is to certify that the delegate's signature is that of the person appointed to the above position.		
DELEGATE'S SIGNATURE: ⑪		INITIALS:	TITLE: ⑫		
			SIGNATURE:		
DATE:		DATE:			
PROVINCE OF MANITOBA					

Planning is one of the most fundamental and important tasks in management. It is the process whereby an organization determines its objectives and the means to achieve them, and provides the framework to guide departmental activities, facilitates management's focus on key results, and provides a practical method for determining accountability. Planning affects long-term (strategic) and short-term (operational) efficiency and effectiveness more acutely than any other management function. Without planning, a department's management information system will lose its focus, and managerial control will become reactive, stimulated only by crises.

Planning and control systems consist of two distinct, yet fully interrelated processes:

- program planning and control; and
- financial planning, budget preparation and control.

It is essential that these two processes be fully integrated so that the mechanisms which are used for resource determination, allocation, monitoring and control bear a direct relationship to program goals and objectives and the development and execution of operational plans.

Planning and control systems should include adequate provisions for:

- the definition of strategic plans and objectives;
- the translation of strategic objectives into mid-term and operational plans;
- the identification of measurement indicators;
- the establishment of information systems that will report on actual performance and provide or indicate variances in performance compared to plan;
- the analysis and assessment of results compared to plans;
- the flexibility to adjust plans during the year; and
- the critical evaluation of accomplishments to ensure the relevance of the program(s) while measuring their contribution to the goals which they are designed to achieve.

INTRODUCTION

Strategic planning involves rationalizing the department's social, technical and economic environment, its products, services and the demands and needs of its client groups. It is the prediction, not the projection, of changes in the environment and demands of the users. Strategic planning includes decision-making on strategic alternatives and the adoption of a strategy which will carry the department toward its long-term objectives.

Departmental strategic financial planning forms the basis for mid-term plans, identifies the resources required to pursue and successfully attain goals, and ultimately, leads to the development of operational plans.

GOVERNMENT-WIDE

Governmental strategic financial planning is a composite based upon broad program priorities, government financial policy and legislation. This includes consideration of such things as the [Fiscal Responsibility and Taxpayer Protection Act](#), future economic expectations, technology, organizational structure and other related components.

The linking of the government's strategic plans and objectives with operational objectives and plans, as well as the determination of resources needed to carry out these plans, takes place through the annual Estimates process (See [3C-1.2](#)).

DEPARTMENTAL

On a departmental level, two important activities related to strategic financial planning include:

- **Costing of alternative strategies**

Since strategic planning usually involves either long-term application of resources or significant blocks of resources, effort and organization, cost determination is required to assess the impact of programs prior to their adoption.

It is therefore important to identify at least one, if not several alternative approaches to achieving departmental goals and determining the costs associated with each. Cost information applied to various strategies may be highly influential in providing an additional dimension to program approaches, which in turn will influence the decision making process.

- **Ensuring that the financial implications are consistent with the financial scope of the department.**

This component of departmental strategic planning stresses consideration of the ability to finance programs identified in the strategic plans from within the usual financial framework and context of a department. Focus should be given to such questions as:

- a) is the program within the context of the department's normal scope and mandate? and
- b) will a commitment to an identified program strain resources to other approved or required programs?

This will help to provide an additional management perspective to planning.

Strategic financial plans, as they are developed, revised, added to or deleted from, provide a broad base from which the budgeting process can evolve.

Mid-term planning is a refinement of the strategic plan and is primarily policy and program oriented. It should deal with the products of the strategic planning session, with emphasis on aligning departmental policies and programs with the departmental strategic plan. Programs should be directly linked with departmental objectives. Mid-term planning is designed to assess program options and to establish program priorities to guide the allocation of resources and the subsequent preparation of operational plans. The time line for mid-term plans is generally three-to-five years, although they should be reviewed and updated annually as part of the department's planning process.

Departmental mid-term planning forms the basis for the preparation of the annual departmental estimates. The results of mid-term planning should clearly articulate departmental direction, highlight environmental factors, describe current program operations and their results, and identify opportunities for program reductions and new initiatives. This information is important to facilitate government-wide resource allocation decisions.

Once departmental strategies, policies and programs have been determined, resource allocation decisions can be made. The next phase of the planning process translates strategic directions and policy and programming decisions into program resource allocations through the annual Estimates process.



Operational planning converts strategy, mid-term plans and resourcing decisions into detailed, short-term, results-oriented plans. It involves the translation of one-year plans into a series of specific activities which are then scheduled and assigned resources. The financial resources which are allocated to individual projects and other activities form an operational budget. If required, operating budget information may then be input to the central financial and accounting system for purposes of reporting expenditures against specific activities along with unexpended and uncommitted balances.

Operational plans should be prepared for each distinct organizational unit in the department, and should include:

- an overview of the organization, for example, a branch, its current status and role relative to the department's role and programs;
- the identification of key internal and external issues, needs, opportunities and problems facing the organization;
- a list of ranked operational objectives for the organization;
- a clear linkage between operational objectives and program objectives stated in the mid-term plan;
- a reconciliation with the results and the incorporation of the decisions made during the resource allocation (Estimates) process;
- a description of the key results and their measurement criteria supporting operational objectives, including performance indicators which will later form the basis for the management reporting system;
- a sequential listing and description of all activities and tasks, for example - projects and processes to produce the results necessary to achieve operational objectives;
- an identification of the responsible individual(s) accountable for the successful completion of assigned tasks;
- a costing of associated staff and financial resources for each project, process or activity;
- time requirements (completion dates) and schedules (milestones) for all planned activity; and
- co-ordination mechanisms, as required, for activities involving other organizational units within and between departments.

In some organizations, the manager may decide that planning to the level of individual staff work plans is necessary to support the operational plan. These staff work plans should detail individual accountability and be specific enough to enable operational reporting and control, and facilitate evaluation of individual performance.

Depending on the organization, operational plans may not differ significantly from year to year. For example, a unit involved in routine processing activities undertakes the same basic tasks/functions on a year-to-year basis. However, it is still important that operational plans are reviewed and reconciled annually with the department's strategic and mid-term plan, resourcing decisions, and any significant changes in its environment.

AUTHORITY

The major statutes impacting financial planning are:

The Executive Government Organization Act

"Expenditures for government programs

9(1) Moneys required to be expended for the purpose of carrying out the duties and functions or exercising the powers of the executive government or for the purpose of the administration by the executive government of any Act of the Legislature shall be paid from and out of the Consolidated Fund with moneys authorized by an Act of the Legislature to be paid and applied for those purposes."

The Financial Administration Act

"Main estimates

30(2) The main estimates of expenditures for a fiscal year shall

- (a) provide for expenditures that are incurred by the government in the course of business during the fiscal year and that are required to be voted on by the Legislature; and
- (b) include the amount of expenditures from statutory appropriations to be incurred in the fiscal year."

"Lapse of appropriations

37 The balance of an appropriation remaining when the books of the government for a fiscal year are closed shall lapse."

Authority for commitments to future expenditures

45(1) Subject to subsection (2), the government may during a fiscal year commit to expenditures for the public service of the government expected to be made or incurred in a later fiscal year."

"Limit on expenditure commitments

45(2) The total value of the expenditure commitments made under this section during a fiscal year must not exceed the limit prescribed for that year by an Appropriation Act."

PROCESS

The annual budget and estimates processes, based on these Acts of the Legislature, includes departmental estimates of expenditure and revenue which are submitted for analysis to Treasury Board and the Department of Finance. Following tabling and debate of departmental estimates in the Legislature, the Provincial Budget is finalized when Royal Assent is given to the various Supply Bills. Further details on the budget and estimates process follows in subsequent sections.

The following identifies the key players and their associated activities in the budget/estimates preparation process from a central government perspective.

LEGISLATIVE ASSEMBLY

The Legislative Assembly consists of all elected officials representing the fifty-seven constituencies in the province. Through the annual Committee of Supply, the Legislative Assembly will review, debate and ultimately approve the annual government Estimates.

CABINET

The Cabinet consists of the departmental Ministers of the current governing party in the Legislature, and represents the central authority in the government. Cabinet has the ultimate responsibility for government policy determination, program priority setting, finances and executive and administrative direction and decision-making.

TREASURY BOARD

Treasury Board is a sub-committee of Cabinet responsible for the overall fiscal management and reporting of the government and the establishment of policies required for the effective management of public funds to meet government objectives. This involves assessing proposals put forward by departments in terms of:

- the current strategic policies and priorities of government
- the financial cost or commitment to the government
- the economic and/or social benefits to the province
- any political or inter-governmental issues

In terms of the disbursement or allocation of funds, Treasury Board is the decision-making body responsible for reviewing the expenditure plans of all departments and agencies funded through the annual Estimates process. This includes the initial assessment and approval of departmental expenditure estimates; decisions on interim departmental submissions during the year to augment or vary proposed spending plans; and, approvals for more specific ongoing expenditure commitments as required.

Staff support to Treasury Board is provided by the Treasury Board Secretariat of the Department of Finance. The Secretariat prepares long and short term financial strategy and planning options; provides general analytical and secretarial services for the annual Estimates review and interim departmental Treasury Board submissions; reviews major program delivery areas; develops and administers policies on information technology; and develops and implements government administrative policies.

Office of the Provincial Comptroller

Office of the Provincial Comptroller operates and maintains the central financial and accounting system, including the related procedures and controls for all receipts and payments requests. It also maintains the government's chart of accounts, monitors the accountable advance function, administers the bank reconciliation process, and formulates government-wide accounting policy.

Office of the Provincial Comptroller is also responsible for preparing and presenting the government's accounting records and financial position through the Public Accounts, as well as for establishing the instructions for the preparation of departmental Main Estimates Supplement documents.

DEPARTMENT OF FINANCE

Treasury Division

This Division projects public debt/debt servicing costs associated with budgetary expenditures for fiscal forecasts and reports, assesses conditions in the borrowing market affecting non-budgetary expenditures, and manages funding of specific program expenditures in which departments and agencies undertake financing or loan activities.

Taxation, Economic and Inter-Governmental Fiscal Research Division

This Division provides policy analysis and advice on various federal-provincial fiscal and shared-cost arrangements, tax credit and tax collection programs, and provincial taxation policies that have revenue implications. They also develop revenue, inflation and tax credit projections for periodic fiscal update and forecast information and the quarterly financial reports. In addition, this Division prepares the Budget speech, including text, economic and financial presentations within the Budget Address.



INTRODUCTION

As a departmental base for initial preparation of annual budgets, the first year of a three-to-five year program plan can provide an orientation to the resource allocation process. The one year (for next fiscal year) plan should include an identification of the financial resources necessary to carry out that plan. The resourcing of such plans will, of course, be influenced not only by the most current departmental priorities but also by government directions established through the Estimates instructions and other related guideline documents.

The Estimates process is a key component of the government's fiscal plan, in support of comprehensive economic renewal and reform objectives, and consists of both expenditure and revenue estimates.

EXPENDITURE ESTIMATES

The primary focus of the Estimates process is the expenditure estimates. The process provides a framework to assist and support government in allocating scarce resources to achieve both a target deficit level (size of the budget), and defined program priorities (composition of the budget).

The process begins with the government determining an acceptable expenditure level, which, when added with the revenue forecast, provides an all-inclusive expenditure target. The global expenditure level is then allocated amongst departments based on program priorities, and departments then submit expenditure plans for Treasury Board review.

The policies and procedures related to the preparation of departmental estimates are detailed annually in the Estimates instruction booklet and the accompanying memo from the Minister of Finance. They detail:

- the estimates presentation format
- the timetable for submission of departmental estimates
- the guidelines to be followed in preparation of the estimates
- other information as necessary

As indicated, departments prepare annual estimates of expenditures which are submitted to the Treasury Board Secretariat for analysis. After review and recommendations by the Secretariat, these analyses are then reviewed by Treasury Board, which establishes approved dollar and staffing levels for each program (appropriation). Following Treasury Board review, the estimates of the government's planned expenditures are subsequently presented to the Legislature in conjunction with the Budget Address from the Minister of Finance. Legislative review of finalized departmental estimates takes place in Committee of Supply, whereupon approval of supply resolutions, annual Appropriation Act(s) and the annual Printed Estimates of Expenditure are received. Approval to make expenditures is finally obtained when Royal Assent is given to the various Supply Bills.

EXPENDITURE ESTIMATES SUPPLEMENTS

In order to provide additional information in support of the Printed Estimates of Expenditure, and to assist Members of the Legislative Assembly in the legislative review of departmental estimates, departments are required to prepare annual Estimates Supplements documents. These documents are tabled in the Legislature by the respective departmental Minister prior to the review of departmental estimates by the Committee of Supply. The Estimates Supplement provides Members of the House with operational information relevant to common questions raised in Committee of Supply. The information displayed in the Estimates Supplement also provides a basis for the linkage

between a department's Estimates and Annual Report, in a manner that facilitates effective reporting and fosters departmental accountability at both the beginning and end of the fiscal year cycle. [Instructions regarding the preparation of departmental Estimates Supplements](#) are issued by the Treasury Board Secretariat.

REVENUE ESTIMATES

Departments also submit annual revenue estimates for review by the Treasury Board Secretariat. Generally, revenue is the result of taxation, which is based on the changing social and/or economic goals established for the province, but also consists of own source revenue (fees, charges, recoveries related to programs), and Government of Canada revenues.

Following review by the Secretariat, revenue plans are then presented to Treasury Board. Approval to make changes to taxes, fees for licences, etc. is obtained when Royal Assent is given to the legislation and/or regulations.

The timetable below shows the sequence of key events associated with the preparation and approval of the annual estimates of revenue and expenditures.

SEQUENCE OF EVENTS IN THE ESTIMATES PROCESS *																																			
EVENT	YEAR BEFORE BUDGET YEAR												BUDGET YEAR												YEAR AFTER BUDGET YEAR										
	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D		
1. Cabinet determines expenditure targets.																																			
2. Development & communication of expenditure targets.																																			
3. Committee reviews.																																			
4. Secretary to T.B. review of departmental Estimates.																																			
5. T.B. review of departmental Estimates.																																			
6. Preparation of Printed Main Expenditure Estimates.																																			
7. Legislative review and approval.																																			
8. Approved Estimates entered into the central financial and accounting system.																																			
9. Charges against budgets.																																			
10. Public Accounts produced.																																			

The following schedule, which is provided for reference purposes, highlights typical events associated with departmental budgeting and estimates preparation. Departmental time-lines, however, may vary from the schedule depending on individual circumstances.

Date	Responsibility	Activity	Document
Beginning of May	Minister, DM, ADM's Program Directors	Start-up meeting to provide preliminary policy, financial and administrative guidelines for current and capital programs.	
Beginning of May	Budget Co-ordinator	Outcome of start-up meeting - preliminary budget instructions out, including general and departmental-specific instructions.	Preparation of preliminary budget instructions.
		Preliminary preparation of expenditure and salary detail sheets.	Preparation of expenditure and salary detail sheets.
All of May	Program Directors, ADM's	Preparation of program information detail and preliminary review.	
Beginning to Mid-June	Budget Co-ordinator	Complete preliminary review documents, analyze content.	
Mid-June	Minister, DM, ADM's Program Directors	Preliminary review, focus on broad program and administrative issues, with particular emphasis on those which require resolution prior to estimates preparation. Further directions from Minister regarding any guidelines from Cabinet deliberations.	
Mid to end of June	Budget Co-ordinator	Outcome of preliminary review and final budget instructions out.	Preparation of final budget instructions.
Mid-June to end of July	Program Directors, ADM's	Complete expenditure and salary detail sheets per final budget instructions.	Completion of expenditure and salary detail sheets.
All of August	Finance Branch, Budget Co-ordinator	Prepare summary sheets, compile final review format, analyze content.	Preparation of summary sheet and final review.
September	Minister, DM, ADM's Program Directors	Final review.	
September	Program Directors, ADM's, Finance Branch Budget Co-ordinators	Revise and compile final submission.	
Mid-Sept. to mid-Oct.	Budget Co-ordinators	Submit completed estimates books to Treasury Board Secretariat.	

The Annual Appropriation Act(s) provides authorization for the payment of expenditures from the Consolidated Fund and establishes the maximum beyond which the government cannot make future commitments. Upon the proclamation of the Act(s), the Estimates, in the form of departmental budgets and cost centre allocations, are input to the central financial system (See [3E-1.0](#)). The central financial system then uses this information as control over spending limits.

Section 34 of *The Financial Administration Act* states:

"Payment of appropriated money

No appropriation shall be charged with an amount that is

- (a) for a purpose other than for which the appropriation was provided; or
- (b) in excess of the amount available in that appropriation."

To ensure that budgets are not exceeded as per Section 34 above, the central financial and accounting system will either warn of limited funds availability or prevent the processing of transactions when insufficient funds exist. Warnings are set at 90% of the expended budget; warnings with messages are set at 95% of the expended budget; and an error message occurs when 100% of the budget is expended, and the transaction is rejected by the system. For further details on the central financial and accounting system and its budgetary control functions, please refer to the SAP "Central Finance SAP Guide" Training Manual, [Chapter 5 - "Budget Control"](#).

GENERAL

The Annual Appropriation Act(s) specifies the financial limit of funds available for each department as established during the Estimates process and provides authorization for expenditures to be made to those maximum amounts.

Approval to increase the amounts included in the Appropriations Act is achieved through Supplementary Supply (when the Legislature is in session) or by Special Warrant (when the Legislature is not in session).

SUPPLEMENTARY SUPPLY

Departmental requests for additional funding for unforeseen expenditures may be approved by the Legislature (when it is in session) through Supplementary Supply Acts. Such additional estimates are generally authorized during the fiscal year after the Main Supply (Appropriation) Act has been approved.

PROCEDURES

The procedures involved in the preparation and approval of supplementary estimates are as follows:

Responsibility	Action
Treasury Board Secretariat	1. Distribute instructions to departments requesting them to complete supplementary supply requests, if required.
Departmental Budget Officer	2. Review budget(s) and determine areas where additional authority will likely be necessary. 3. Request details of additional authority requirements (if any) from all program managers, including those determined in step 2. 4. Prepare Supplementary Supply request forms as may be prescribed from time to time.
Budget Officer, Director of Admin., and Deputy Minister and/or Minister	5. Review Supplementary Supply requests and determine those which can be met through reallocation of resources and those which should not be processed.
Minister or Deputy Minister	6. Approve departmental request.
Departmental Budget Officer	7. Submit departmental request to Treasury Board Secretariat.
Treasury Board Secretariat	8. Analyze departmental requests in terms of total government cash position. 9. Summarize requests and forward to Treasury Board with recommendations.

Responsibility	Action
Treasury Board	10. Review recommendations, approve requests and issue Treasury Board Minute.
Cabinet	11. Review and approve Supplementary Supply request.
Treasury Board Secretariat	12. Prepare an Appropriation Act for the Supplementary Supply.
Legislature	13. Debate and approve Supplementary Appropriation Act.
TBS – Office of the Provincial Comptroller	14. Validate details against central financial and accounting system. 15. Input appropriation control data to central financial and accounting system.

SPECIAL WARRANTS

Special Warrants are a means by which additional funding is made available to departments for unforeseen expenditures when the Legislature is not in session. Special Warrants are authorized under *The Financial Administration Act* as follows:

"Special Warrants

32(1) When

- (a) an expenditure for a public service not foreseen or provided for, or not sufficiently provided for, is required for the public good; and
- (b) the Legislature is not in session or is in session but has been adjourned for a period of more than 10 days;

the Lieutenant Governor in Council, on the report of the Minister of Finance that there is no legislative provision or no sufficient provision for the expenditure and on the report of the minister having charge of the public service that the expenditure is for the public good, may order a special warrant to be prepared and to be signed by the Lieutenant Governor authorizing the expenditure to be made out of the Consolidated Fund"

PROCEDURES

The procedures involved in the preparation and approval of special warrants are as follows:

Responsibility	Action
Departmental Budget Officer	1. Review budget(s) and determine areas where additional authority may be necessary. 2. Determine from program managers where expenditure authority is urgently required for a specific purpose. 3. Determine if authority requirement can be handled through Supplementary Supply or sub-appropriation transfer.

Responsibility	Action
	4. If additional authority cannot be provided by either method in "3" above, prepare a Special Warrant request detailing sub-appropriation number, amount and reason for request.
Budget Officer, Director of Admin., And Deputy Minister and/or Minister	5. Review Special Warrant request.
Deputy Minister and/or Minister	6. Approve Special Warrant request. 7. Submit Special Warrant request to Treasury Board Secretariat.
Treasury Board Secretariat	8. Analyze departmental request in terms of departmental budget and government financial position and make recommendation to Treasury Board.
Treasury Board	9. Approve Special Warrant request and issue Treasury Board Minute.
Treasury Board Secretariat	10. Prepare recommendation to Council for Special Warrant.
Cabinet	11. Review recommendation and approve Order-In-Council ordering that a Special Warrant be prepared for signature by Lieutenant-Governor. 12. Obtain signature.
TBS – Office of the Provincial Comptroller	13. Validate details against central financial and accounting system. 14. Input appropriation control data to central financial and accounting system.



MAIN APPROPRIATION TRANSFERS (also known as VIREMENT)

Definition – the transfer of all or part of a voted appropriation to another voted appropriation within a service heading (aka Department or Business Area).

Conditions:

Treasury Board approves the transfer.

The amount to be transferred is an amount voted for operating expenditures for an item under a service heading that has not been committed or expended.

The amount is transferred only to another item under the same service heading.

PROCEDURES

The procedures involved in the preparation and approval of appropriation transfers are as follows:

- Department assesses the need for main appropriation transfers as part of the third quarter forecast as an alternative to or as a means to reduce the amount of the Supplementary Authority request.
- Department prepares a Treasury Board submission requesting authority for a Main Appropriation Transfer of up to a specified level. This could be part of the Supplementary Authority submission or replace the Supplementary Authority submission. See annual Treasury Board Secretariat due dates on the Treasury Board Secretariat Intranet (note this will be due at the same time as the third quarter forecast).
- Treasury Board will review the request in early February and issue a minute to the department.
- Prior to year-end, Department will prepare a memo to Treasury Board Secretariat (similar to the ISA allocation memo) requesting a transfer of authority up to the amount approved in the minute. A template will be provided for this purpose, which will include reference to the TB minute as well as fund centre/commitment item detail needed to process the transfer.
- TB analyst will review the request, consult with a senior accountant in the Office of the Provincial Comptroller as required, and prepare a draft memo from the Secretary to Treasury Board to the Provincial Comptroller requesting the transfer be recorded in SAP (similar to the ISA allocation process).
- Once the memo is approved and forwarded to the Provincial Comptroller, the transfer is recorded in SAP.
- All Main Appropriation Transfers will be reported in the Report on the Estimates of Expenditure and Supplementary Information released at the same time as Public Accounts (formerly known as Volume 3).

Treasury Board maintains the policy on Appropriation Transfer (Virement) and this can be referenced in the [General Manual Administration \(GMA\)](#).



SUB-APPROPRIATION TRANSFERS

Where a department deems it necessary, a transfer of funds from another sub-appropriation within the same main appropriation may be considered, provided:

- the department is certain that the amount being transferred will not be required for the purpose for which it was originally voted; and
- the amount being transferred is sufficient to cover the requirements of the sub-appropriation to which the transfer is being made.

Where the above assurances cannot be given, it will be necessary for departments to consider other options including appropriation transfers or requesting additional funding through either a Special Warrant or Supplementary Supply as discussed earlier.

Sub-appropriation transfers (also known as Budget or Fund Transfers) must be approved by the departmental Executive Financial Officer (EFO). Each identified transfer request must be forwarded to the EFO, who will review the request and determine the required approvals necessary for the specific transfer. Notwithstanding the above approval process, program managers have the ultimate responsibility and accountability for sub-appropriation transfers and must prepare sound business cases/rationales when recommending a transfer.

Treasury Board pre-approval is required for capital transfers. Transfers between amortization and other operating sub-appropriations are not permitted.

Deputy Ministers are authorized to transfer surplus salary funds to other operating sub-appropriations within the same main appropriation.

PROCEDURES

The procedures involved in the preparation and approval of sub-appropriation transfers are as follows:

Responsibility	Action
Senior Budget Officer	1. Review sub-appropriations and determine which will require additional authority and which will have excess authority. 2. Discuss with program managers to determine areas where sub-appropriation transfers are possible and obtain managers' concurrence. 3. Determine if the funds transfer involves moving funds between capital funds. If so, obtain prior approval from Treasury Board through preparation of a Treasury Board submission. 4. If transfer involves moving funds other than between capital funds, prepare the Funds Transfer form and forward to departmental Executive Financial Officer (EFO).
Executive Financial Officer	5. Review and approve Funds Transfer and forward to Deputy Minister.

Responsibility	Action
Deputy Minister	6. Review, approve and sign the Funds Transfer form and return to EFO.
Executive Financial Officer	7. Enter the appropriate data into central financial and accounting system to post the transfer. 8. On a monthly basis, prepare and forward report of all funds transfers to Treasury Board Secretariat.
Treasury Board Secretariat	9. Review monthly departmental funds transfers report for conformity to policy.

For detailed procedures on sub-appropriation transfers (Fund Transfers), please refer to the SAP, "Advanced Cost Accounting & Funds Management" Training Manual, [Chapter 2 - "Budget Control"](#).

CENTRAL FINANCIAL AND ACCOUNTING SYSTEM

The central financial and accounting system consists of three main modules:

- FI Module (Financial Accounting) - provides the basis for external reporting (Public Accounts), and limited internal reporting (Balance Sheet).
- CO Module (Controlling) - used for detailed internal reporting of revenues, expenditures and recoveries for all levels of the government. This module is used to plan, control and check costs, and allows for detailed planning by Responsibility Centre, Activity and Sub-Activity.
- FM Module (Funds Management) - manages and reports funds availability based on approved or printed estimates level (Vote). This is also where commitments are recorded.

The above modules also utilize information from the Materials Management (MM) and Human Resource (HR) modules (for details, please refer to [6C-1.0](#)). All transactions that feed information to these modules use a common feature known as the coding block. The coding block contains a number of fields designed to capture financial information, and assign it to the appropriate module, as follows:

The **FI Module** coding block consists of:

- Company Code - this refers to the Province of Manitoba.
- Business Area - this refers to a separate organizational unit under the Company Code that allows for financial reporting at the organizational level. Although most readily defined as a government department, the term can also be used to describe other discreet organizational units such as Special Operating Agencies and some Crown Corporations, although financial reporting is limited in such cases as not all transactions are included in the central financial and accounting system for these entities.
- G/L (General Ledger) Account - this refers to how financial transactions are recorded.

The **CO Module** coding block consists of:

- Cost Centre - this represents a separate location for capturing costs (e.g., program, responsibility centre, activity), and are established based on how each business area manages their operations.
- Order (Internal) - this is a mechanism used for capturing, reporting and analyzing the costs, revenues and recoveries related to a specific project or initiative.
- Cost Element - this is a type of General Ledger (G/L) account used to track the nature of the expenditure (previously referred to as an Object Code). All cost elements are created and maintained centrally by the Department of Finance.

The **FM Module** coding block consists of:

- Fund (Source) - this represents the source of funds or authority under which a budget transaction is processed (i.e., where the budget moneys come from) (previously referred to as the Main Appropriation or Vote).
- Fund Centre - this represents a specific responsibility centre, such as an administration branch. A budget is assigned to each fund centre for revenues generated, expenditures and recoveries (previously referred to as a Sub-Appropriation).
- Commitment Item - this is the mechanism used to classify business transactions at a higher level, such as Salaries, Grants, Capital, Operating, Revenues and Recoveries.

DESCRIPTION OF THE PROCESS

Once the Budget is tabled in the Legislature, The Interim Appropriation Act provides initial authority for departments to begin operations under the new budget structure. Following the Estimates debate in the Legislature, the Budget is then passed by The Appropriation Act, and forms the approved budget for availability control in the central financial and accounting system.

The original budget, which is based on The Interim Appropriation Act approval, is input into the central financial and accounting system for all departments by the Department of Finance. The budget structure represents the accumulated Main Appropriations and Sub-appropriations for government and the original budget is entered to conform to this structure. Once entered, the original budget does not change, with the exception of any changes resulting from either a budget supplement (Special Warrant or Supplementary Supply), or a budget transfer (Sub-appropriation Transfer) and/or a mid-year re-organization.

For budget purposes, all departments are broken down into fund centre groups, mirroring cost centre groups, which allows costs to be recorded, allocated, managed and reported at the lowest level in the organization.

The CO Module (see above) is a tool for management that allows for detailed planning by cost centre. Three of the methods used to distribute and track costs are Cost Allocations, Internal Orders, and Funds Commitments.

Cost Allocations

Generally, cost allocations will originate in one of four ways:

1. Externally incurred costs distributed to a number of areas within a department (e.g., Accommodation Cost Recoveries, insurance costs). Departments determine the allocation rules (e.g., the number of employees, square footage, etc.), build them into the central financial and accounting system, and they are automatically distributed to the cost centres. This can also be done on a manual basis by entering actual amounts.
2. Internally incurred costs distributed from one area to a number of other areas within a department (e.g. re-distribution of central administrative support costs to Branch/Program areas).
3. Allocations from one cost centre to another based on a Treasury Board Directive or other cost-sharing program.
4. Salary and benefits costs allocated to another cost centre based on services provided (not for secondments, which are handled through the Human Resources Module of the central financial and accounting system).

In general, cost allocations are managed centrally in departments by the respective Finance and Administration branch, however, program managers will want to monitor the impacts of cost allocations on their budgets.

For detailed information on cost allocations, please refer to the SAP, Advanced Cost Accounting & Funds Management" Training Manual, [Chapter 4 - "Cost Management"](#).

Internal Orders

An internal order is a mechanism for capturing, distributing, reporting and analyzing costs, revenues and recoveries related to a specific project or initiative. They may be used as a management information tool, such as when a department wishes to track the cost of an activity or project, or they may also be used to capture costs related to both short-term initiatives (less than one year) or long-term capital projects which may span more than one year. They may also be used by departments or cost centres to accumulate costs related to a specific project; costs which will eventually be allocated to other cost centres or departments.

Orders may either be "real" or "statistical". For "real" orders, costs can be accumulated and settled (charged back) to a cost centre, an asset under construction, a General Ledger account, or to a capital asset. "Real" orders are the mechanisms for recording voted recoveries against budget. "Statistical" orders are not settled. They collect costs for informational purposes only, and can be used to collect costs using criteria other than those used in cost centre accounting.

When costs on an internal order need to be allocated, prior agreements should be reached between the originator and the recipient cost centre managers regarding the distribution of costs and the order settlement rules. As well, on a periodic basis (at least monthly, prior to month-end), the originating department should settle the internal order, which will result in all the accumulated order costs for the period allocated to the recipient cost centres.

For detailed information on internal orders, please refer to the SAP, "Advanced Cost Accounting & Funds Management" Training Manual, [Chapter 3 - "Managing Orders"](#).

Funds Commitments

A funds commitment is a manual commitment recorded in the central financial and accounting system to recognize contractual or scheduled financial obligations that will lead to actual expenditures in the future. This allows for early recording and analyzing of such commitments regarding their cost and financial effect. In general, it is expected that funds will be committed whenever a firm intent to purchase goods or services, or otherwise disburse funds is made. The central financial and accounting system will automatically commit funds whenever a purchase requisition is created, however, a manual funds commitment will be required to commit any funds related to non-purchase order based expenditures which are considered significant or material in nature.

Examples of non-purchase order based expenditures for which manual funds commitments should be made include:

- any significant accountable advance
- estimated procurement card purchases
- any significant travel expenditures which will be incurred during the fiscal year
- any grants or transfer payments which the department is obligated to pay during the fiscal year
- where any expenditure will be made pursuant to a contract or agreement
- where the department enters into a contract or agreement which spans multiple fiscal periods
- where a department is to be the recipient of inter-departmental charges
- any significant recurring expenditures, such as rent or utilities (the funds commitment should be created at the beginning of the year for such expenditures)

For detailed information on funds commitments, please refer to the SAP, "Intermediate Cost Management" Training Manual, [Chapter 2 - "Funds Management Master Data"](#).

The cash forecasting component of financial planning is an essential activity in the government's utilization of its cash resources. All departments have a responsibility to effectively manage their cash resources and to report their cash flow forecasts to the Department of Finance, Treasury Board Secretariat. The Department of Finance then consolidates departmental cash flow forecasts in preparation of the cash flow forecasts for the Province.

DEPARTMENTAL RESPONSIBILITIES

Departments are expected to prepare, on a quarterly basis, a revised forecast of anticipated monthly revenues and expenditures for the year. These cash forecasts provide a sound basis for the monitoring of performance in relation to budget.

Cash forecast information may signal to management the necessity to revise operating plans, adjust priorities, request Supplementary Supply or take other action to address an anticipated over-expenditure position.

Cash revenue forecasts should represent anticipated monthly receipts for all revenue accounts and should be completed by taking into account new legislation/regulations, changes in rate schedules, and changes in consumer demand.

Cash expenditure forecasts should be based on anticipated monthly program delivery requirements and should include the approved expenditure estimates plus adjustments for any known changes.

Departments must submit their current year cash forecasts in accordance with current instructions issued from Treasury Board Secretariat. Forecasts include both revenue and expenditure projections, forecasts of revenue anticipated for the following fiscal year and a listing of future commitments. These forecasts, which are submitted to the Department of Finance, are required four times yearly:

- a nine month forecast as at June 30
- a six month forecast as at September 30
- a three month forecast as at December 31

These forecasts should reflect expected deviations from original estimates. Deviations from the original estimate which fall into the following parameters must be fully explained:

Spending Authority (Estimates) (\$000)	Level of Significance (% Over/(Under) Published Estimate)
Up to \$ 500.0	20%
\$ 500.1 to \$1,000.0	15%
\$1,000.1 to \$5,000.0	10%
\$5,000.1 and Over	5%

DEPARTMENT OF FINANCE RESPONSIBILITIES

The Department of Finance prepares two cash forecasts utilizing the cash flow information submitted by departments:

- The first is the monthly cash flow for the fiscal year. This cash forecast consolidates the current operating budget with the cash forecast of Trust Funds, Agencies, and Crown Corporations.
- The second cash forecast prepared is a daily forecast for the next ninety days. This cash flow estimates the daily balances for the coming three months. In making up this cash forecast, historical patterns are used, as well as updated information from departments.

Cash forecasting information is used centrally for the following purposes:

- a) Budget Monitoring
 - a well-prepared cash flow forecast serves as the basis for comparison of actual and budgeted expenditures.
- b) Operating Cash Requirements
 - the short-term cash forecasts prepared by the departments serve as the basis for determining current cash requirements including the extent of the line of credit required.
- c) Short-Term Financing or Investment
 - the short-term cash forecasts enable the Department of Finance to determine how long and to what amount temporary deficits or surpluses will extend. This information facilitates good debt and investment decision making by the Treasury Division of the Department of Finance.

The purpose of this section is to define responsibility for control and to describe the control structures that exist within the government.

Controlling is the comparing of operational and financial results with a set of established standards (e.g., timeliness, budget limits), for the purpose of ensuring that the standard is being met and of taking corrective actions when necessary.

The objectives of controlling within the framework of financial management include:

- ensuring accomplishment of objectives according to plan,
- ensuring expenditures are monitored in relation to budget,
- identifying and explaining variances between actual and planned expenditures and taking remedial or corrective decisions and actions as required on a timely and effective basis;
- ensuring legislative authority to expend funds is complied with, and that the government is not committed beyond statutory limits;
- ensuring that all standards of operation are achieved (standards as set out in legislation, policies, guidelines, plans, etc.),
- ensuring every effort is made to pay accounts in the fiscal year in which goods and services are supplied, and
- ensuring every effort is made to collect revenues.

Effective control includes:

- ensuring that objectives and results statements and their measurement criteria are identified as meaningful performance benchmarks,
- carefully analyzing problem areas, deviations and their causes, and
- taking corrective action while the deviation or problem is still manageable.

One of the key components of effective control is the use of available management information to decide necessary actions to achieve planned results. In addition, it should be noted that whatever form of control is applied, it must be cost-beneficial, that is, the cost of the control should be weighed against the relative likelihood of error and fraud occurring and its effect on the department's operations and budget. The principle of the critical few should be followed - those activities with the greatest impact on organizational objectives are the ones which should be controlled carefully (1F-2.0).

1. Departments must establish and maintain a system for monitoring expenditures in relation to budget which will facilitate:
 - identification and explanation of variances between actual and planned expenditures in terms of both dollars and program plans,
 - identification and explanation of projected year-end variances of expenditures from plan, and
 - the reporting and explanation of variances through appropriate levels of responsibility within departments and to Treasury Board as required.
2. Departments must not commit the government beyond the statutory limits regardless of the source of authority, as per [Section 34 of The Financial Administration Act](#).
3. Departments must ensure that every effort is made to pay accounts in the fiscal year in which goods or services are supplied.
4. Each department must establish and maintain an effective system of control over all expenditures for the current fiscal year.

NOTE: Although the central financial and accounting system facilitates expenditure commitment accounting, salary commitments are not automatically maintained by the system. Departments are therefore expected to use in-house salary management systems to perform salary commitments and forecasting.

5. Departments must ensure that every effort is made to collect all revenues due and payable to the government.

NOTE: Policies pertinent to the control of specific expenditures and payables, revenues and receipts, assets, and other specific categories are detailed in the appropriate chapters of the Financial Administration Manual.

Responsibility for control of the numerous financial components of the government is shared at various levels in accordance with delegated authority in a hierarchical arrangement. In assigning control to these levels where authority has been established, those who exercise the greatest influence over expenditures and revenues are also directly accountable. Financial and other information systems provide such individuals with the necessary feedback on operations to allow for assessment of current financial conditions and, when compared to plans and expectations, to explain significant variances. These systems and the data they provide assist in the decision-making process and in the taking of corrective measures as required.

Included among the many elements of control are:

- fiscal commitment control
- future commitment control
- cash control
- tangible capital assets control
- fixed costs control
- contract and agreements control
- grants control
- expenditure control
- cost control
- budgetary control
- revenue control

Due to the scope of these elements, often more than one individual or group shares interest in the various control areas. This does not imply control duplication, but rather that the specific components and levels of detail do vary. Together, they form comprehensive control structures.

Before managers can devise and maintain a workable system of control, three prerequisites should exist:

1. The control system must be linked to the existence of a well-documented plan.
2. There needs to be a defined and integrated organizational structure within the department.
3. There must be sufficient management information available from the department's management reporting system, highlighting deviations from expected key results to allow corrective action.

The control process itself can be examined in terms of four specific steps as follows:

STEP 1

Key results areas and measurement criteria need to be established during the departmental planning process. These should serve as a gauge for performance measurement in achieving departmental objectives. It is important that these are stated in meaningful terms and are understood and accepted by departmental staff.

STEP 2

Departmental operations and programs need to be monitored and reports must be prepared regarding the progress made toward achieving key results and objectives. As mentioned above, a system of management reporting, which produces timely, results-oriented information is fundamental to the control process. It is important that the manager measures realistic and accurate indicators or progress. Finally, the management reporting system should be periodically reviewed to ensure it continues to provide the necessary management information.

STEP 3

The manager must analyze, in consultation with staff if necessary, how and why the deviation or variance occurred. If there is a deviation from plan, the cause usually originates in one of four areas:

- a) Measurement criteria
 - are the measurement criteria still appropriate?
 - are the assumptions made during the planning process still valid?
- b) Validity of information
 - is the information timely and accurate?
 - does the information provide a true indication of progress toward intended results and objectives?
- c) External problem
 - has something happened outside the boundaries of the department, and therefore outside departmental management's control?
- d) Internal problem
 - resulting from any number of causes (e.g., equipment failure, human error, poor communication, etc.)

STEP 4

Based on the results of the analysis above, the final step is the determination of suitable corrective action. The manager must first decide whether corrective action is necessary - is the deviation significant, or is it minor in nature and will correct itself over the course of operations? If corrective action is necessary, a number of alternatives should be considered and assessed in terms of their costs, risks and impacts.

Whatever action is decided and applied to the situation, it should meet several general criteria:

- any action taken should be corrective and constructive, not punitive.
- consideration should be given to whether a short-term solution is necessary, or a long-term strategy should be developed.
- consideration should be given to whether the deviation affects other departmental managers. In some situations, the concerted effort of several departmental managers may be necessary to correct a deviation.

The ultimate purpose of control is to ensure the organization achieves its planned objectives on time and within budget, and to enable the manager to achieve his or her organizational objectives and fulfil accountabilities through timely and constructive corrective action aimed at the causes of deviations from the plan.

Budgetary control is one of the most encompassing controls within the government. It involves the comparison of expenditure requests to plans and to unspent portions of appropriations as approved by the Legislature. Responsibility for budgetary control begins with Responsibility Centre Managers, but is also of concern to departmental administrators and the Department of Finance. Included within the framework of budgetary control is the control of revenue. (See [Chapter 7](#) for more detail on revenue control, applicable policies and procedures)

The primary components of budgetary control are:

- the preparation of a financial plan,
- the preparation of a budget which is based on the plan,
- the controlling of operations and financial transactions against plans and budgets,
- the reporting and explaining of significant variances in operations as compared with plans,
- the taking of corrective measures as required.

Part of the concept of budgetary control is that planning and controlling activities take place at the organizational level where the greatest influence over the establishment of plans, conducting of operations and controls exist. As a result, all organizational levels participate in and significantly affect total budgetary management. In addition, since financial management and control practices should satisfy both legislative and management needs to control public funds, budgetary control is maintained by Legislative, executive and management budgetary control as follows:

Legislative Control

Legislative control exists to ensure that the expenditure of funds and control of revenues takes place within the limits established by Legislative approval. It is established and exercised through specific legislation, especially the long standing practice that no funds may be expended without the authority of the Legislature.

Budgetary control is exercised by the Legislature through an annual process of reviewing financial plans by way of the Estimates process (See [Chapter 3](#)), and through subsequent approval which limits actual expenditures to approved fiscal amounts. This control is necessary to ensure that public money is spent only for the purpose and in the amounts authorized by the Legislature. The authorities granted by the Legislature are for a one-year period only, with unused funds lapsing at the end of that timeframe.

In addition, the Legislature is assured of proper controls through the activities of the Auditor General. The majority of control approaches taken by the Auditor General are of a post-control nature, i.e., the review of governmental and departmental financial and accounting systems, policies and practices subsequent to transactions having taken place (see [Section 4F](#) for details).

Executive Control

Executive control exists to ensure that expenditures are controlled in accordance with the requirements of the Legislature and government policy. This control is exercised by Treasury Board and Cabinet, as well as the Department of Finance.

Treasury Board controls are focused on the:

- establishment of budgetary guidelines
- co-ordination of the budget process
- approvals in decision-making regarding staffing complements
- review of requests for levels of spending greater than those approved by Cabinet
- review of financial status reports as regularly submitted by departments
- setting of levels of expenditure or commitments by type, classification or amount to be submitted for review by Treasury Board

Financial and accounting control is exercised by the Department of Finance in accordance with directives from the Minister. The Minister of Finance, through the Provincial Comptroller, designs, implements and administers control systems pertinent to the disbursement of funds to ensure proper appropriation control. Revenue controls are similarly administered through the Treasury Division.

In addition to control systems operated centrally in accordance with legislation, functional direction and support for strong appropriation control at the departmental and Responsibility Centre level is provided by the Department of Finance through the establishment of policies, guidelines and recommended practices (i.e., [Comptrollership](#)).

Management Control

Management control exists to ensure managers of government programs control operations in relation to financial plans and approved expenditure authorities. To be fully effective, budgetary control must be exercised by those who initiate actions that will result in expenditures and the collecting of revenues. Since authority in departments is delegated to Responsibility Centre and Program Managers, central departmental management, in keeping with departmental responsibilities, should retain control over those to whom authority has been delegated by utilizing systems of financial reporting and budgetary control on a Responsibility Centre basis. Controlling of operations by central departmental management assists in ensuring attainment of departmental goals and objectives. In addition to budgetary control, departments are responsible for implementing and maintaining other control systems as applicable, such as physical asset control, grant control, etc.

Budgetary control at the Responsibility Centre level provides for control at the point closest to the operational decision-making on a day-to-day basis, and the point where most expenditures are initiated.

Responsibility Centre Managers are responsible for ensuring budgetary control systems, such as a commitment control system, are in place and functioning. Provided with data on the results of transactions processed, plus Responsibility Centre-operated control system information and time-phased plans, Responsibility Centre Managers will quickly be able to identify significant operational variances. Where applicable, the cause and effect of these variances should be explained to central departmental management, showing a notation of corrective actions which have been taken or are recommended.

Strong internal control is essential to ensure both the Legislature and the general public that the funds which they have entrusted to the public service are being administered properly. The primary objectives of effective internal control are:

- the safeguarding of assets
- the production of timely, accurate and reliable reports and records
- the encouragement of efficiency, economy and effectiveness, and
- the assurance that appropriate legislation, regulations and policies are being adhered to

Some of the general practices that contribute to good internal control are:

- ***A proper division of duties*** - in financial transactions, authority over and involvement with processing and record keeping should be handled by different people.
- ***A proper plan of organization*** - where it is feasible, each individual in the organization should report to only one superior; incompatible functions should be separated; and all other principles of organization should be adhered to.
- ***Automatic checks*** - the work performed by one individual will either be balanced to the work performed by another individual, or reviewed by another individual. Approvals and authorizations are also part of the automatic check process.
- ***Appropriately trained staff*** - staff should have the expertise necessary to carry out the duties they are required to perform.
- ***Sequence control*** - maintaining a numbering sequence at one stage of the process allows for the accounting of all transactions at a later stage of the process.
- ***Reasonableness checks*** - transactions can be compared with pre-determined reasonable limits or standards.
- ***Control totals*** - transactions entered into and processed can be totalled and the totals compared.

The Department of Finance is responsible for certain budgetary, accounting and financial controls as provided under [The Financial Administration Act](#). In order to meet these responsibilities, the Department of Finance is responsible for operating and maintaining the central financial and accounting system, and for establishing and communicating control policies and guidelines as are required from time to time. However, comprehensive financial control systems and practices are also essential at the departmental level to ensure strong control of financial resources within the government. This is in keeping with the concepts of managerial responsibility and accountability for the resources entrusted to managers - both financial as well as physical resources. Since it is within departments that the resources are used and decisions regarding their use are made, it is not only reasonable to expect control to be established departmentally, but is most practical as well. Further, control of detailed transactions and the management of physical assets are more effective when established and operated by those most closely associated with those transactions and assets. Feedback information is most meaningful and manageable at this point as well.

For these and other similar reasons, departments are responsible for the implementation, operation and maintenance of control systems with explanation of variances and plans aggregated for senior levels of management and central agencies.

GUIDELINES

To achieve effective internal control, departmental systems must meet the following requirements:

Expenditures:

1. Departments must ensure that the control systems in operation:
 - control commitments (See [Section 4D](#))
 - maintain expenditures below the amount of the approved appropriation
 - control actual expenditures by comparison to budgeted amounts
 - include regular, random reviews of high-risk procurement transactions (e.g. large value, untendered) to ensure internal controls are functioning
2. Departments must maintain up-to-date documentation of approval authorities (See [Chapter 2](#)).
3. Departments must support all purchases with evidence of receipt of goods and/or services.
4. Departments must support all payroll expenditures with approved documentation.
5. Departments and agencies with their own cheque issue system need to demonstrate effective control over the issuance, handling, re-ordering and safekeeping of all unused cheque forms, purchase orders and purchase requisitions. Cheque signing equipment and signature plates should be stored under tight security using appropriate approval procedures for release when required.
6. Departmental systems must provide for a well-defined and documented audit trail of all activities.

NOTE: For more details on the expenditure process, please refer to [Chapter 8](#).

Revenues:

1. Departments must ensure that accounts receivable claims are issued wherever cash is not collected prior to the provision of goods or services.



2. Departments must ensure that amounts claimed for goods supplied or services rendered are correct as to quantities and prices.
3. Departments must maintain records of all claims processed.
4. Departments must make prompt effort to collect all receivables.
5. Departments must maintain records of receivables until paid or written-off.
6. Departments must, wherever possible, collect revenue before delivering goods or performing services.

NOTE: For more details on the revenue process, please refer to [Chapter 7](#).

A financial commitment is an obligation to acquire specific goods and/or services, the payment for which will be charged to a current fiscal year appropriation. Financial commitment control is a managerial tool for financial control and to assist managers in monitoring activities and in decision-making. There is a relationship to the planning function whereby a manager can relate the results of present activities to operational plans and take corrective action as necessary. In a similar way, information about present activities as generated through the commitment system can be used in future years planning, both in facilitating the process and in increasing its accuracy.

The goal of the commitment control system is to provide information to management and central government to ensure that funding is available to meet known expenses, and to ensure that annual appropriations are not exceeded.

In the Province of Manitoba, the central financial and accounting system provides the commitment information required to meet these financial management responsibilities.

COMMITMENT ACCOUNTING - POLICY AND GUIDELINES

In general, it is expected that funds will be committed at the earliest time a firm intent to purchase goods and/or services, or otherwise disburse funds is recognized.

An automatic commitment of funds will occur in the central financial and accounting system whenever a purchase requisition is created. However, for non-purchase order based expenditures, the system will not automatically commit funds, and manual funds reservations will be required to enter the commitment data into the system.

NOTE: Any expenditure valued at \$1,000 or more must be generated in SAP as a Purchase Order, which is a form of contract, unless listed in, [Chapter 9.0, Table 1: Exclusions, of the Procurement Administration Manual](#).

FUNDS RESERVATION

A funds reservation is a manual commitment recorded in the central financial and accounting system to recognize contractual or scheduled financial obligations that will lead to actual expenditures in the future. Manual funds reservations (commitments) are recommended for all significant non-purchase order based expenditures, and are particularly important in circumstances where:

- the expenditure is material in relation to the particular non-salary budget, and consequences to the department of not being able to fulfil the commitment are substantial.
- the risk of exceeding authorized expenditure limits is high (as in the case of 4th quarter non-purchase order based expenditures for which no automatic funds commitment occurs).

Examples of non-purchase order based expenditures for which manual funds reservations should be made may include:

- any grants or transfer payments which the department has an obligation to pay during the fiscal year;
- any known expenditures pursuant to a contract or agreement calling for one-time payment; (**Note:** Multiple-payment contracts or agreements should be established in the central financial and accounting system as purchase orders.)
- at the beginning of the fiscal year to commit significant recurring expenditures, such as utilities;

- where the department enters into a contract or agreement which spans fiscal periods, a funds reservation should be made in each of those fiscal periods to cover any anticipated material expenditure in those fiscal periods; (See previous note)
- where a department is to be the recipient of inter-departmental charges, a manual reservation should be made to cover the charges where these are determined to be material in relation to the recipient's budget;
- where the department needs to reserve funds to cover any material estimated procurement card purchases during the last quarter of the fiscal year when the risk of not having available funding to pay the invoice is greatest. This is due to procurement card transactions occurring outside of the central financial and accounting system, hence no automatic budget control exists. If it is determined that a risk exists regarding insufficiency of funds, cardholders should be notified in advance in order to limit their procurement card usage;
- any significant accountable advances. This is due to the fact that when an accountable advance is made to an employee, the funds are drawn from a central government account. When an employee subsequently spends the advance, this gives rise to expenditures which will then be charged against the departmental appropriation. Therefore, at the time of issuing material advances, the department should reserve funds to cover the future expenditure;
- any significant travel expenditures which will be incurred by the department during the fiscal year;
- at the beginning of the fiscal year for bulk commitments for all non-purchase order based recurring charges which will be incurred during the year;
- all accommodation cost recovery charges (ACRS) to the Department of Consumer Protection and Government Services, Accommodation Services Division (ASD). These should be made at the beginning of the fiscal year, and the reservation number provided to ASD. When the charges are processed, the reservation numbers will be entered so that the related funds reservations will be drawn down. It should also be noted that these fund reservations should be made at either the division or cost centre level, but **NOT** at the department level.

MONITORING OF COMMITMENTS

On a regular basis, departments should generate a listing of outstanding commitments from the central financial and accounting system and review their ongoing applicability. The central financial and accounting system can produce reports which outline changes to commitments, as well as any unused or residual reservations (where amounts reserved exceed actual expenditures). Departments should review such reports and take appropriate action (such as reversing unnecessary reservations to release the funds back into budget free balances).

NOTE: The central financial and accounting system will not facilitate the timely recognition of salary commitments, thus departments should maintain their payroll commitment accounting system outside of the central system.

For detailed procedures concerning the commitment accounting process, please refer to the SAP, "Intermediate Cost Management" Training Manual - [Chapter 1 - "Overview"](#).

INTERNAL ORDERS

The central financial and accounting system also has a mechanism known as an internal order, which is used for capturing, reporting and analyzing costs and revenues related to a specific project or initiative. Internal orders can be used as a management information tool when a department wishes to track the costs of an activity or project, whether it be a short-term initiative (i.e., less than

one year), or long-term capital projects which span more than one year. Internal orders can also be used by departments or cost centres to accumulate costs related to specific projects; costs which will eventually be allocated to other cost centres or departments.

For detailed procedures concerning the use of internal orders, please refer to the SAP, "Intermediate Cost Management" Training Manual - [Chapter 3 - "Managing Orders"](#).

Treasury Board has established that all departments and central agencies shall have access to an independent internal audit function. The Internal Audit and Consulting Services Branch is situated in Treasury Board Secretariat.

Internal Audit (IA) supports departments and executive management in the effective discharge of their responsibilities by providing an independent and objective analysis of governance, risk management, and control, which contributes to the continual improvement of management practices and enhanced accountability throughout government. As government's third line of defence, IA facilitates risk dialogue and organizational learnings through the communication of its audit findings and recommendations, information sharing, and advice.

The internal audit function forms an integral part of the management process by:

- reviewing, appraising and reporting on all operations, and
- identifying weaknesses in control and practices, and offering constructive advice for improvements.

POLICIES AND SCOPE

1. Management are responsible for ensuring that internal control systems, policies and procedures are adequate to preserve and protect the assets for which they are responsible.
2. Internal audit services are available to management to assist them in discharging this responsibility. The allocation of internal audit resources is predicated upon government-wide priorities.
3. Internal auditors should be independent, objective and professional.
4. Internal audit services provided will include, but not be limited to, the following:
 - value for money audits - to provide assurances that operations are being carried out with due regard to economy, efficiency and effectiveness.
 - verification of financial results and management representations.
 - review of financial and management control systems, including the extent of compliance with legislation and central agency and departmental directives.
 - systems development - to provide advice regarding appropriate financial, operational and management controls in the design, development, implementation and operations of all systems, including computer-based systems.



The Office of the Auditor General is a key component in the control process. The Office of the Auditor General Office is empowered to audit government departments, agencies and specific Crown Corporations on a regular basis. An objective assessment of the accounts of these entities is ensured because the Auditor General is an officer of the Legislature, not the government.

REPORTS

In accordance with the provisions of *The Auditor General Act*, the Auditor General is responsible for the audit of the accounts of the government, including those related to the Consolidated Fund.

Subsection 5 of Section 9 of *The Auditor General Act* requires that the Auditor General report at least annually upon each departmental audit to the Minister responsible and to the Minister of Finance.

Section 10 of *The Auditor General Act* provides that the Auditor General shall report annually to the Legislative Assembly as follows:

"10(1) No later than December 31st in each year, the Auditor General must report to the Assembly about the examinations and audits conducted under section 9."

"10(2) The report must indicate anything resulting from the work of the Auditor General that he or she considers should be brought to the Assembly's attention, including, but not limited to, circumstances in which

- (a) required information was not provided or was not provided within a reasonable period of time;
- (b) accounts were not properly kept or public money was not fully accounted for;
- (c) essential records were not maintained, or the rules and procedures applied were insufficient, to
 - (i) safeguard and control public property,
 - (ii) secure an effective check on the assessment, collection and proper allocation of revenue, or
 - (iii) ensure that expenditures have been made only as authorized;
- (d) public money was expended for purposes other than those for which it was appropriated by the Legislature;
- (e) financial and administrative provisions of Acts, regulations, policies and directives were not complied with."



OBSERVATION AND FOLLOW-UP

Under the provisions of *The Financial Administration Act*, the Minister of Finance is charged with the overall responsibility of ensuring that proper accounts and records are maintained on behalf of the government. In accordance with this responsibility, the Department of Finance follows up on the action taken by departmental officials with respect to audit observations made by the Auditor General. A response to this follow-up action is expected to be received from departmental officials within thirty days.

The objective of this follow-up procedure is for the departmental officials to advise the Department of Finance on a timely basis as to:

- the current status of the observation - as to whether it is resolved or unresolved,
- where applicable, the appropriateness and fairness of the comment,
- the corrective action that is to be taken to resolve the observation, who is responsible and the time frame for resolution, and
- where applicable, the adequacy of central financial policy and directions/guidelines to be able to arrive at a solution.

The Department of Finance will review the departmental officials' response(s) to the audit observation with a view to:

- making an assessment as to the appropriateness of the response to the observation,
- meeting with departmental officials and/or representatives from the Auditor General's Office to resolve any differences of opinion regarding the audit observation,
- arranging to provide any necessary financial policy information and/or guidelines which are deficient, require clarification or are not yet established, and
- providing departments with assistance where expertise is not available in the department to resolve a particular problem.

With respect to the Auditor General's annual report to the Legislative Assembly, a draft of the proposed comments is provided by the Auditor General to the Minister of Finance and to the Ministers of the departments concerned on a timely basis so that they may provide appropriate responses. These are considered by the Auditor General before the annual report is finalized, which is no later than December 31st of each year.

Financial reporting systems are critical to the effectiveness of decision-making in departments, Special Operating Agencies (SOAs) and Other Reporting Entities (OREs). Financial reports display in summary form the transactions that flow through a system of financial administration. It is through financial reports that financial information is made visible, that the accountability of departmental leadership is expressed, and that certain financial controls are exercised. The flow of operational information concerning departmental, SOA and ORE programs and key results allows leadership to track actual results to planned objectives.

The objectives of financial reporting are:

- to provide financial information which is relevant, reliable, understandable, and comparable
- to display the state of the government's finances at the department and summary level
- to summarize and communicate the results of financial transactions
- to provide comparative financial information to program managers and departmental leadership
- to provide the Legislature with an accounting of the government's management of its financial affairs and to demonstrate compliance with legislative authority
- to facilitate evaluation of existing program delivery alternatives.

Financial reporting in government is comprised of **internal** and **external** reporting as is common to most organizations. Departments are responsible for generating the internal financial and management reporting as specified by their management for operating purposes, while at the same time, information must be assembled for government level reporting (also referred to as summary), as specified by central government and as required by legislation.

At both the department and the responsibility centre level, the purpose of financial reporting is to provide a budgetary control and reporting system which is designed to control voted appropriations and report consumption of financial resources in relation to planned operational performance. At the central government level, the purpose of aggregated financial reporting is the same as that required for departmental financial information, but at the overall government (summary) level. This facility, at both the department and central government levels, fulfils the requirements for proper internal reporting in government.

External reports are issued to satisfy statutory requirements and to provide other financial information. [The Financial Administration Act](#) requires the Minister of Finance to table the Public Accounts, which report the overall results of the government's operations and its resultant financial position to the Legislature. Though not required by statute, the Public Accounts are supplemented by the Quarterly Financial Report, which informs the Legislature of the current financial position of the government on an interim basis. Various other statutes require the tabling of annual reports and financial statements of crown corporations and agencies.

The Financial Administration Act and The Appropriation Act require that the Printed Estimates of Expenditure and Revenue for each fiscal year be submitted to the Legislature. As well, The Financial Administration Act requires the tabling of the Main Estimates Supplement document, which provides supporting information to the Printed Estimates, and departmental Annual Reports, which provide information on results achieved, and are the main departmental accountability document to the Legislature for the use of public funds. Other financial information is provided on an annual basis in the Budget Address, and periodically through a Prospectus when the government or a Crown Corporation makes an offering of bonds or other securities.

The validity of the reports produced on a government-wide basis depends upon sound financial reporting by departments, SOAs and OREs. Therefore, financial reporting must ensure a high degree of reliability, relevance, understandability, and comparability insofar as important management decisions are based on the reports produced.

1. Departmental financial reporting systems should provide relevant, reliable, understandable and comparable, and sufficient information for effecting adequate budgetary control at all levels of management and for reporting variances on a monthly basis.
2. The Executive Financial Officer (EFO) of the department should review the department's financial status with the Deputy Minister on an ongoing basis as required.
3. Departments must prepare and submit quarterly expenditures and revenue cash flow forecasts and other reports to Treasury Board Secretariat, such as those required by Treasury Board and for the Public Accounts.
4. All reports must be issued on a timely basis and reflect all financial transactions accurately and in a consistent manner.
5. Departments must ensure that the information required for inclusion in the Public Accounts:
 - is in agreement with the central accounting records
 - is in the prescribed form
 - is available within the time constraints established by the Office of the Provincial Comptroller, Treasury Board Secretariat

Internal financial reporting is a significant element in the total spectrum of financial management. Departments must generate their own financial and management information, as specified by their management, while at the same time, information must be assembled and reported as specified by central government for consolidation of overall government results.

The primary purposes of departmental internal financial reporting are:

- to provide a budgetary control and reporting system which is designed to control voted appropriations at each level of management,
- to compare actual results to planned operational performance, and
- to enable re-ordering of priorities and re-planning.

At the central government level, the purpose of consolidated financial reporting is two-fold:

- for monitoring results during the reporting cycle for management decision-making, re-ordering of priorities and forward planning, and
- to report on the government's stewardship to the Legislature.

The internal reporting function is dynamic, ongoing in nature, and integral to the controlling and evaluating phases of the financial cycle. Chronologically, reporting is perceived as an activity at the end of a specified period. It is, however, a continuing activity at the various stages throughout the fiscal year. This flow of information and analysis leads to decision-making and re-planning as the fiscal year progresses as well as after the end of the fiscal year.

Each manager must have an information network in place that will allow them to fully account for the organization's activities and achievements, specifically, key results in support of planned objectives.

Although formal reporting actually takes place at specified intervals throughout the fiscal year, the process of reporting begins with the finalization of the annual budget and operating plans for a fiscal year. Every financial transaction thus provides important information which must be recorded in detail and summarized for reporting purposes.

For the most part, Responsibility Centres are concerned with disbursements only, as receipts are usually a more centralized function within a department. However, where a revenue source (e.g., user fee) is received in various locations, the revenue should also be identified as part of that activity within the Responsibility Centre.

The department's expenditure plans should be detailed sufficiently to provide for both the department and the central government reporting requirements. This means a classification system which, in addition to Legislative requirements (cost centre and cost element level), provides the information (non-financial data relating to resource utilization and attainment of objectives) for management decisions at each level of responsibility (e.g., district, branch, division, department).

A properly designed and operated financial reporting system can benefit departmental management by providing:

- more informed decision-making;
- a basis for pro-active management;
- an ability to track key results and effect managerial control; and
- a network that integrates departmental managers and staff.

Some of the factors to consider in determining the value of the financial reporting system are:

- **Quality** - the quality of the information can be judged by comparing it with known facts - the more accurate it is, the higher its quality and the more securely managers can rely on it when making decisions.
- **Timeliness** - information provided by the financial reporting system must be available in time to take corrective action if required. Timeliness is determined by each unique situation - some aspects of departmental operations may require only quarterly reporting, whereas others may require daily reporting.
- **Quantity** - the quantity of information must satisfy decision-making demands. The usual problem is not a lack of, but an overabundance of information. If managers are presented with more information than they can digest, important information on critical issues may be overlooked.
- **Relevance** - the information presented must be relevant to the manager's assigned responsibilities and tasks. The collection and review of irrelevant information is a burden on the reporting system and on the manager's time.
- **Reliability** – information presented must be free from error and bias and faithfully represent what it claims to represent. Managers should be presented with information that is valid, verifiable and free from bias for decision-making.

- **Comparability** - the information provided by the financial reporting system must be comparable and consistent from period to period or at two different points in time.
- **Understandability** – information must be understandable to be useful in decision-making.

The departmental financial reporting system should ensure that:

- relevant, reliable, comparable, understandable meaningful decision-making and results information is reported up through the departmental hierarchy;
- information provided for senior levels meets the standards for management information, that is, it has been collected, analyzed and condensed to meet senior management decision-making needs;
- measurement criteria (reporting indicators) are fair, realistic and based on objectives and accountabilities agreed upon during departmental planning;
- staff members report regularly to management on their assigned activities, and participate in the development and definition of key results areas and measurement criteria necessary for their individual assignments.



Government-wide, consolidated reports present the overall results of the government's operations and its resultant financial position. The purposes of internal consolidated financial reporting are:

- to monitor results during the reporting cycle for management decision-making, re-ordering of priorities, and forward planning, and
- to report on the government's stewardship to the legislature.

The aggregation of financial information is required under [The Financial Administration Act](#), which charges the Minister of Finance with responsibility for financial reporting at the corporate level, and by Treasury Board in carrying out its management responsibilities.

The validity of consolidated reports depends upon sound departmental systems of transaction identification, processing, and reporting. It is essential, therefore, that ongoing actions in respect of detailed accounting transactions are consistent with government policies and guidelines as detailed in other parts of this manual, and that the initial and subsequent reports for a fiscal year be as accurate as possible.

The major internal financial report that is prepared by the Department of Finance is the Quarterly Financial Report. Treasury Board authorizes the preparation and distribution of an unaudited Quarterly Financial Report to inform the Legislature of the financial position of the government on an interim basis.

The government Quarterly Financial Report is compiled by the Treasury Board Secretariat from individual forecasts submitted by departments. This information is required by:

- Treasury Board in considering the long-term fiscal position of the government and in providing direction for the preparation of fiscal planning.
- The Department of Finance, Treasury Division, in estimating the government's cash flow position and in monitoring revenue trends affecting the overall financial position of the province.

The Quarterly Financial Report provides:

- a forecast of monthly expenditures and revenue for the current fiscal year,
- a forecast of expenditure commitments as at the end of the current fiscal year,
- revenue predictions for the next fiscal year,
- an explanation of the major variances between actual operations year-to-date and planned budget,
- a comparison of the year-to-date with the same period of the previous fiscal year, with an identification of the major expenditure and revenue changes,
- Statements of Direct and Guaranteed Debt and Revenue and Expenditure,
- Projected Statement of Excess of Expenditure over Revenue at the fiscal year-end,
- Statements of Expenditure by department and Revenue by source.

The Treasury Board Secretariat is responsible for advising all departments of:

- the quarterly submission due dates,
- the forms to be used,
- any special instructions for the current report.

Management reporting in the central financial and accounting system is facilitated through the availability of a large number of standard reports. These reports respond to a variety of information needs:

Strategic

Reports focus on results for the entire organization and are generated annually or quarterly (e.g., Public Accounts, cash flow, staff turnover rates, employment trends, etc.).

Management

Reports focus on reporting results at a department level or lower, and are typically generated monthly (e.g., expenditure reports by department, salary costs, merit increases due, etc.).

Operational

Reports are transactional in nature and include information required to manage operations on a day-to-day basis, and are typically generated on a daily/weekly basis. This reporting includes reports required to manage employee's attendance, biweekly payroll, purchase requisitions, payment, etc.

Reporting within the central financial and accounting system is decentralized to departments, Special Operating Agencies (SOAs) and other entities. Most reports are displayed on-line, and many on-line reports provide "drill down" analysis of summarized information. Reports can also be printed or downloaded to work with computerized spreadsheet programs.

As there are a multitude of standard reports within the central financial and accounting system, a mechanism known as a report tree is available for finding and displaying them. The report tree also provides the same ability to "drill down" and view the reports at various levels.

In general, reports available through the central financial and accounting system will provide either comparative information (e.g., actual/planned/variance) or "list" information (e.g., purchases from vendors). List-type reports can also be tailored through selection criteria to satisfy specific requirements.

COMPARATIVE REPORTS

Examples of comparative reports produced by the central financial and accounting system include:

Plan/Actual Comparison Reports:

- **Cost Centre: Actual/Plan/Variance** compares actual to planned expenditures, and details the absolute and percentage variance for the cost elements in a cost centre or group.
- **Area: Cost Centres** compares actual to planned expenditures, and details the absolute and percentage variance for the chosen cost centre or group.
- **Area: Cost Elements** compares actual to planned expenditures, and details the absolute and percentage variance for the cost elements in a cost centre or group. The report shows the element totals and details the cost centre(s) that have postings to the cost element.

- **Cost Centre: Ongoing Period/Cumulated** compares actual to planned expenditures, and details the absolute variance for the cost elements in the current period and for the year-to-date for a cost centre or group.

Actual/Actual Comparison Reports:

- **Cost Centre: Quarterly Comparison** displays actual costs for each quarter and total for the cost elements in the chosen cost centre or group.
- **Cost Centre: Fiscal Year Comparison** compares costs from the previous year and two years earlier to the current year for the cost elements in the chosen cost centre or group.

Target/Actual Comparison Reports:

- **Cost Centre: Quarterly Comparison** compares actual to target expenditures, and details the absolute and percentage variance for the cost elements in a cost centre or group.
- **Cost Centre: Fiscal Year Comparison** compares actual to target expenditures, and details the absolute and percentage variance for the cost elements in a cost centre or group. The report shows the element totals and details the cost centre(s) that have postings to the element.

LIST REPORTS

Examples of list reports produced by the central financial and accounting system include:

- **Actual List** displays all line items for the associated cost centre or group and for the selected cost element or cost element group or all cost elements.
- **Commitment List** displays open line items in the cost centre or group, breaking costs down per cost element or cost element group within the above parameters.
- **Cost Centres Report** details information about cost centre(s) or group.
- **Cost Elements Report** details information about cost element(s) or group.
- **Material List by Customer** lists goods purchased by Division/Branch/location.
- **Purchase Orders: By Account Assignment** displays Purchase Order activity/values at the cost centre level.
- **Blocked Invoices**
- **Credit Memos Outstanding**
- **Out of Province Travel Report**

There are many more reports available within the central financial and accounting system, including Human Resource and Procurement reports. For details, please refer to the applicable SAP Training Manual(s).

In addition to the internal financial reporting that occurs at both the departmental and central level as discussed earlier, there are also a number of external reports that are prepared by departments, agencies, and central government. The principal external financial reporting documents include:

- Estimates of Expenditure and Revenue for the fiscal year
- Budget Address
- Estimates Supplements
- Public Accounts
- Departmental Annual Reports
- Special Operating Agency and other entity Annual Reports
- Prospectus

These documents are discussed in greater detail in the sections following.

In addition to the reports which account for its stewardship, the government issues documents which inform the legislature and the public of the government's plans for the new fiscal year. The principal reports in this regard are:

ESTIMATES OF EXPENDITURE AND REVENUE FOR THE FISCAL YEAR

This contains the details of the Printed Estimates of Expenditure and Revenue plans for a fiscal year.

The Printed Estimates of Expenditure are shown by department and detailed by appropriation and sub-appropriation as necessary to display the government's spending programs. Similarly, the Printed Estimates of Revenue are shown by type of revenue and detailed by department as to source.

The approved appropriations and amounts are entered in the central financial and accounting system to ensure that the amounts authorized are not exceeded.

For further details, please refer to [Section 3C](#).

BUDGET ADDRESS

At the time the Budget Address is presented to the Legislature by the Minister of Finance, a copy of the address is distributed to all members of the Legislature.

The Budget Address explains and outlines to the Legislature and the electorate:

- the state of the Province's economy for the fiscal year just ended and the expected state of the economy for the budgetary fiscal period
- a preliminary indication of the Province's surplus or deficit position for the fiscal year just ending
- a disclosure of the government's full expenditure plans for the budgetary period, including any Supplementary Estimates of Expenditure
- a disclosure of the government's full revenue plans, including any tax changes, for the budgetary period
- the anticipated surplus or deficit position

SUPPLEMENT TO THE ESTIMATES OF EXPENDITURE

These documents, also known as the Departmental Estimates Supplements, provide background information on departmental operations which complement the information contained in the Printed Estimates of Expenditure. This additional information is intended to assist the members of the legislature in their review of departmental estimates.

For further details, please refer to [Section 3C-1.2](#), or the [Supplement to the Estimates of Expenditure Instructions](#) issued by Treasury Board Secretariat.

The Public Accounts contain the details of the Province's financial operations for each fiscal year. They are prepared under statutory requirement by the Office of the Provincial Comptroller, Treasury Board Secretariat.

LEGISLATIVE REQUIREMENT

The Financial Administration Act requires that the Comptroller prepare the Public Accounts for each fiscal year, in accordance with the directions of the Minister of Finance, which include:

- Summary financial statements that provide an accounting of the financial affairs and resources of the government reporting entity, accompanied by a report of the Auditor General concerning her or his examination of those statements
- A statement that summarizes the transfers in and out of the fiscal stabilization account under section 26.1 for the fiscal year and that shows its balance as at the end of the fiscal year
- Other information required under the Act or by the Minister of Finance to be reported in the public accounts

The Act implicitly also requires that the Public Accounts be prepared in accordance with accounting policies of the government stated in the Public Accounts and contain:

- a) a statement of the expenditures and revenues of the government for the fiscal year in respect of which the Public Accounts are prepared
- b) a statement of such of the assets and liabilities of the government as, in the opinion of the minister, are required to show the financial position of the government as of the end of the fiscal year in respect of which the Public Accounts are prepared
- c) a statement of the changes in financial position of the government during the fiscal year in respect of which the Public Accounts are prepared
- d) a statement of accumulated deficit or surplus for the government as of the end of the fiscal year in respect of which the Public Accounts are prepared
- e) a statement of any change in the accounting policies of the government from those followed in the preceding fiscal year
- f) such other statements as the minister deems necessary
- g) a report of the Auditor General concerning the examination of the Public Accounts

PROCESS

The Office of the Provincial Comptroller, Treasury Board Secretariat, is responsible to the Minister of Finance for the preparation of the Public Accounts. Some of the information required is readily obtainable from the central financial and accounting system, while other information must be reported at fiscal year-end by departments, Crown corporations and agencies to the Public Accounts Branch, Office of the Provincial Comptroller, Treasury Board Secretariat. These fiscal year-end statements and information include:

- statements of reconciliation of revenue, expenditure, asset and liability accounts
- cost shared revenue statement
- statements of receipts, payments and bank balances as required by specific acts
- reconciliation of all bank accounts
- detailed statement of acquisition/construction of tangible capital assets
- explanations of variances from budget plan
- explanations of changes in appropriations, revenues, and cost elements from previous years
- details of investments and debts of Crown corporations and agencies

PUBLIC ACCOUNTS STATEMENTS

The [Public Accounts statements](#) are issued in five reports:

Annual Report and Public Accounts

The Annual Report includes a review of the year's results relative to the government's budget, and contains economic statistics and indicators of the financial health of the Province. This Volume presents the Economic Report, the Financial Statement Discussion and Analysis, the audited summary financial statements of the Government, and financial reports on the Fiscal Stabilization Account.

The summary financial statements disclose the financial impact of the Government's activities. Only the Government's summary financial statements provide the key information on the financial activities of the entire Government. The summary financial statements include the financial results of the multiple agencies the Government uses to deliver its goods and services. The GRE includes the core Government, government business enterprises and government business partnerships, and government organizations such as regional health authorities, school divisions, universities and colleges.

Public Sector Compensation Disclosure

This report contains the audited Schedule of Public Sector Compensation Payments of \$85,000 or more paid by government departments and Special Operating Agencies to employees of the Province of Manitoba.

Vendor Payments over \$50,000

This unaudited report contains, in alphabetical order within Department or Special Operating Agency, each payee whose total payments to corporations, firms, individuals, other governments and government agencies by that individual department or special operating agency that exceeded \$50,000 during the fiscal year.

Report on the Estimates of Expenditure and Supplementary Information

This report includes the following:

Section 1 - Details of Government Department Revenue and Expense – more detailed information regarding the government departments' revenue and expense of the fiscal year.

Section 2 - Details of Government Department Financial Information – more detailed information with regard to government departments' financial position.

Financial Statements for Government Reporting Entities

This report is provided as a compendium of the audited financial statements of funds, Crown organizations, agencies, Government Business Enterprises (GBEs), and Government Business Partnerships included in the Government Reporting Entity, but is not considered to be part of the Public Accounts of Manitoba.

Copies of the Public Accounts are available on the [Government of Manitoba website](#) and from the Office of the Provincial Comptroller, Treasury Board Secretariat.



Annual Reports are the main accountability documents that detail an entity's operations for the past fiscal year, and serve to compare planned activities to the results achieved.

LEGISLATIVE REQUIREMENT

Section 67 of The Financial Administration Act requires that the minister responsible for a government department, entity or program must prepare and table in the Legislature, a report of its operations of the fiscal year just ended. Statutory requirements for annual reports may also be contained in specific purpose statutes (e.g., *The Municipal Board Act*) for entities not covered by *The Financial Administration Act* and its Regulations (e.g., boards, commissions, etc.).

PURPOSE

The purpose of a departmental Annual Report is to provide information to the Legislature and the public concerning the activities undertaken and the results achieved by a department during the fiscal year to which a report pertains. Preparation instructions were developed by the Office of the Provincial Comptroller, Treasury Board Secretariat in order to promote effective reporting in government by linking the planning documents (Printed Estimates of Expenditure and Departmental Estimates Supplements) with the results and reporting documents (Public Accounts and Departmental Annual Reports) in a manner that facilitates completion of the fiscal-cycle management process and demonstrates departmental accountability. The principal objectives of the Annual Report are:

- To ensure **financial accountability** is demonstrated by comparison of planned expenditure and revenue estimates with actual expenditure and revenue outcomes.
- To ensure **operational accountability** is demonstrated by relating planned activities and expected results to actual accomplishments.
- To focus **accountability at the departmental level** by requiring the inclusion of expenditure and revenue variance explanations in the Annual Report.
- To improve **timely availability** of departmental Annual Reports by establishing a government-wide tabling/release deadline.
- To encourage **appropriate standardization** of Annual Report content across government.
- To enhance the **linkage between** the government's **planning and reporting documents** by establishing a uniform basis for presentation of information.

Departmental Annual Reports must be tabled (if the Legislature is in session) or released (if the Legislature is not in session) by September 30th of the fiscal year following the end of the fiscal year to which the Report pertains.

For details, please refer to the ["Departmental Annual Report Instructions"](#).

A Prospectus is a document that is issued every time the government or a Crown Corporation makes an offering of bonds or other securities.

Each Prospectus summarizes the financial, economic and political situation of the Province at the time of preparation and details the position of all the major Crown Corporations. It contains the most recent audited financial statement of the borrower (e.g. Crown Corporation) and of the province; comparative statements of operations for the previous three years and a projection of the next fiscal year; and details of the debt obligations of the province at the time of issue.

Government accounting policy is a combination of the principles followed by government and government enterprise and the procedures necessary for applying those principles. These principles, which stem from the traditional right of the Legislature to control public funds, are summarized as follows:

- the principle of a Consolidated Fund to ensure that all receipts of public money are deposited into a single fund and that legislative authority is obtained for disbursements from it,
- the principle of the Legislature granting annual spending authority for specific purposes through separate votes (appropriations).

The Financial Administration Act provides the legislative authority to ensure that proper accounting practices are followed in recording financial transactions and requires the government to account for its stewardship. The Act requires that the Minister of Finance be responsible for the government's accounting policies as well as for the management and administration of the Consolidated Fund. The Minister is also responsible for exercising Treasury Board responsibility for the overall efficiency and effectiveness of the system and for ensuring that the Auditor General's requirements are met.

In this way, Treasury Board and the Minister of Finance, through their own directives and the responsibilities they delegate to the Comptroller and the Treasury Board Secretariat, direct and control all of the financial administrative functions of the government. Notwithstanding, most of the actual administration of these central financial policies is the responsibility of the individual government departments.

The government's financial and accounting system is comprised of central and departmental systems which are complementary to one another rather than duplicate systems. The accounting principles applied to the central financial and accounting system are designed to comply with the legislative requirements for the control and reporting of all receipts and disbursements. The accounting principles applied to departmental systems, however, are designed to satisfy legislative and managerial requirements for financial visibility, accountability, and control.

To ensure complete, accurate and timely reporting, it is necessary that all departments adhere to Public Sector Accounting Standards, follow established accounting policies and practices for compiling and processing data, and a consistent set of accounting principles in classifying, measuring, and interpreting the financial information.

The government accounting system exists to achieve the following objectives:

- to comply with Public Sector Accounting Standards
- to produce financial information which is accurate, complete, relevant, and timely for decision-making
- to maintain accounting records which ensure that results of government operations are properly measured against the fiscal plan
- to achieve consistency in and comparability between the accounting reports used by managers in planning or controlling their financial activities
- to serve as the basis for accountability over resources by providing information which is compatible with the budgeting process
- to provide for budgetary control over expenditures through a system of recording commitments
- to incorporate appropriate financial controls and audit trails
- to maintain security for accounting/financial information and records regardless of their form
- to develop and maintain accounting systems which meet generally accepted government principles

The Financial Administration Act provides the legislative authority to ensure that proper accounting practices are followed in performing and recording financial transactions, and requires the government to account for its stewardship of public money. The following are examples of those sections of the Act related to government accounting:

	Section Reference
1. There shall be one Consolidated Fund into which all public money shall be deposited.	s.15
2. No money, other than trust money, shall be paid out of the Consolidated Fund without the authority of this or any other Act of the Legislature.	s.29
3. No appropriation shall be charged with an amount that is	s.34
a) for a purpose other than that for which the appropriation was provided; or	
b) in excess of the amount available in that appropriation	
4. The Comptroller is responsible for	s.13(2)
▪ maintaining the accounts of the government to show the current state of the Consolidated Fund and the financial condition of the government reporting entity;	
▪ ensuring that procedures are in effect for the recording of public money payable to the Minister of Finance and that authority exists for the recording and payment of public money;	
▪ preparing the public accounts and any financial statements and reports required by the Minister of Finance or Treasury Board;	
▪ evaluating accounting and financial management systems throughout the government.	
▪ performing other duties assigned by the Minister of Finance or Treasury Board or under this or any other Act of the Legislature.	
5. Revenue of the fiscal year is the amount identified in the public accounts as earned during that fiscal year in accordance with the accounting policies of the government.	s.26
6. A refund or repayment of an expenditure charged to an appropriation	s.40(1)
a) that is received in the same fiscal year as the expenditure was made may be credited to the appropriation against which the expenditure was charged; or	
b) that is received in a later fiscal year shall be credited to the revenue of the fiscal year in which it is received.	
7. No payment shall be made out of the Consolidated Fund for the supply of goods or services unless a certificate is given by a person so authorized	s.44(1)
a) that the goods or services have been supplied and that the payment is according to contract, or if not specified in the contract, is reasonable;	
b) when a payment is to be made before the completion of the supply of the goods or services, that the payment is according to contract; or	
c) that the amount is for payment in advance of a periodical subscription or a course, conference or other registration fee that does not exceed an amount prescribed by regulation or directive of the Minister of Finance.	



	Section Reference
8. The balance of an appropriation remaining when the books of the government for a fiscal year are closed shall lapse.	s.37
9. The Provincial Comptroller must prepare for each fiscal year, in accordance with the directions of the Minister of Finance, public accounts that include - summary financial statements that provide an accounting of the financial affairs and resources of the government reporting entity, accompanied by a report of the Auditor General concerning his or her examination of those statements; - a statement that summarizes the transfers in and out of the fiscal stabilization account for the fiscal year and shows its balance at the end of the fiscal year; and - information required under this Act or by the Minister of Finance to be reported in the public accounts.	s.65(1)
10. The minister who is charged by the Lieutenant Government in Council with the administration of a government department or who is identified by Treasury Board as being responsible for a government entity or program is accountable to the Legislative Assembly for the operations of the department, entity or program in each fiscal year and shall, not later than six months after the end of the fiscal year - prepare a report of its operations in the fiscal year; and - lay a copy of the report before the Legislative Assembly if it is in session and, if it is not, the minister shall without delay make the report public, and, within 15 days after the beginning of the next session, lay a copy of the report before the Legislative Assembly.	s.67

The following are the general policies associated with government accounting systems:

1. Accounting systems will provide for the recording and reporting of information to the Legislature, to departmental management, and to meet the requirements of central agencies.
2. All receipts will be deposited to the Consolidated Fund and recorded in the appropriate general ledger account as promptly as possible.
3. All disbursements will be charged to the appropriate expenditure account. The request for payment will be processed so that payment may be made within 30 days (plus 3 days grace) of receipt of invoice or sooner if a discount is available.
4. The central financial and accounting system will be maintained on an accrual basis.
5. Departments will ensure that:
 - no financial commitment is entered into that cannot be paid out of the current fiscal year appropriation to which the expenditure is being charged.
 - no future commitment is entered into without the approval of the Minister of Finance in accordance with [Section 45 of The Financial Administration Act](#).
6. Departments will record and control the following in their asset accounting records:
 - Loans and advances
 - Conditional grants and transfer payments until conditions met
 - Tangible capital assets
7. Inter and intra-departmental services provided on a cost recovery basis in accordance with Treasury Board directives will be settled on a prompt and regular basis.
8. Departments will reconcile departmental records with the central accounts of the province on a monthly basis and as at each fiscal year end.
9. Shared cost claims will be maintained in departmental records as revenue of the fiscal year in which the related expenditure was made.
10. Monies received for payment to municipalities under tax sharing agreements and recoveries from Crown Corporations and government agencies of debt servicing costs and certain investment income will not be recorded as revenue, but as an offset to the original expenditure.

Following are the significant accounting policies that are followed by the Province of Manitoba.

A. Gross Accounting Concept

Revenues and expenses are recorded in gross amounts with the following exceptions:

- 1) Refunds of revenue are treated as reductions of current year revenue.
- 2) Decreases in valuations allowances previously provided are treated as reductions to expense.
- 3) Where there is sufficient evidence that the borrowings undertaken by the Government are specifically on behalf of a Government Business Enterprise (GBE), the recovery of debt servicing costs on self-sustaining debt of GBEs are recorded as a reduction of debt servicing costs.

B. Accrual Accounting

The revenues and expenses of the government are recorded on an accrual basis with the following exceptions:

- 1) Government of Canada Receipts – Transfer payments from the Government of Canada include all accruals for current year entitlements that have been authorized, by March 31, that can be reasonably estimated and for which any eligibility criteria have been met.

The Province's share of individual and corporation income tax is recorded based upon cash receipts to March 31 plus an accrual of adjustments determined before June 15 each year.

- 2) Other Revenue – All other revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable.
- 3) **Expenses** – All expenses incurred for goods or services received are recorded on an accrual basis.

Expenses include provisional amounts recorded in anticipation of future costs which are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

- 4) **Pension Benefits** – The Government accounts for employee pension plans by recognizing a liability and expense in the reporting period in which the employee has provided service using the accrued benefit actuarial cost method. The value of plan assets is determined using a moving value average fair value method. Under this method, fair value is the underlying basis, with any excess (or shortfall) of investment returns over (or below) the expected long term rate being amortized over a five year period. When actual experience varies from actuarial estimates, for both the accrued benefits obligation and plan assets, the difference is amortized over the expected average remaining service life of the related employee group. Past service cost from plan amendments are recognized in full as expenses in the year of amendment.

C. Liabilities and Assets

- 1) All borrowings are recorded in Canadian dollars and with separate accounts for sinking funds, unamortized debt issue costs and debt of the Province of Manitoba held as provincial investments. Foreign borrowings are converted at the exchange rate in effect at March 31 adjusted for any forward foreign exchange contract entered into for settlement after the fiscal year end. Discounts or premiums, and commissions incurred at the time of the issue of debt are amortized monthly to debt servicing expense over the term of the debt.
- 2) The amount of the liabilities for severance, Long Term Disability Income Plan liability and workers compensation claims is based upon actuarial calculations. The periodic actuarial valuations of these liabilities may determine that adjustments are needed to the actuarial calculations because actual experience is different from that expected and/or because of changes in actuarial assumptions used. The resulting actuarial gains or losses are amortized over the expected average remaining service life of the related employee group.
- 3) The year end translation adjustments reflecting the foreign currency fluctuation from the value at the issue date are recorded through the unamortized foreign currency fluctuation account, and amortized monthly to debt servicing expense over the remaining term of the debt. The unamortized portion of foreign currency fluctuation also reflects the gains or losses on the conversion of foreign currency debt called prior to maturity using the rates in effect at the time of the call and these gains and losses are amortized over the original remaining term of the debt or over the term of the replacement issue, whichever is shorter.
- 4) Loans, advances and long-term investments are recorded at cost less valuation allowances. A valuation allowance is provided to reduce the value of the assets to their estimated realizable value or to reflect the impact of significant concessionary terms on outstanding loans. Valuation allowances are made when the collection is considered doubtful or when the value of the investments is impaired. Premiums that may arise from the early repayment of loans or advances are reflected as deferred revenue and are amortized monthly to debt servicing expense over the term of the related debt issue.
- 5) Investments denominated in foreign currency are translated to the Canadian dollar equivalent at the exchange rate in effect at March 31, unless the rate of exchange or a forward foreign exchange contract fixing the value has been negotiated, in which case that rate or amount is used. The year end investment translation adjustments reflecting the foreign currency fluctuation between year ends are amortized monthly over the remaining life of the investment and included with debt servicing expense. Expenses and other transaction charges incurred on the purchase of investments during the year are charged to debt servicing expense. Those expenses incurred in foreign currency are translated at the exchange rate in effect on the transaction date.
- 6) Premiums paid on interest rate options are amortized monthly starting from the date the income is received over the period of the applicable agreement. If the option is exercised, the premium is amortized over the period from the date of receipt to the maturity date of the agreement. If the option is not exercised, any unamortized premium will be immediately taken into revenue.
- 7) The cost of tangible capital assets purchased includes the purchase price as well as costs such as installation costs, design and engineering fees, survey and site preparation costs and other costs incurred to put the asset in service. The cost of tangible capital assets

constructed by the Province includes all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, and survey and site preparation costs, as well as overhead costs directly attributable to the construction activity such as licenses, inspection fees, indirect labour costs, and amortization expense of any equipment which was used in the construction project. Any carrying cost associated with the development and construction of tangible capital assets is included in cost for projects whose cost exceeds \$20 million and the development time exceeds one year.

A tangible capital asset received as a donation is recorded at its fair market value with the same amount being shown as revenue. Where the acquisition cost of a tangible capital asset is shared with other jurisdictions under a shared cost agreement, such contributions are deducted from the cost of the related asset with any amortization calculated on the net amount. Certain assets which have historical or cultural value including works of art, historical documents as well as historical and cultural artifacts are not recognized as tangible capital assets because a reasonable estimate of the future benefits associated with such property cannot be made. Intangibles assets and items inherited by right of the Crown, such as Crown lands, forests, water, and mineral resources are not recognized in government financial statements.

- 8) Tangible capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

General Tangible Assets:

Land	Indefinite
Buildings and Leasehold Improvements	
Buildings	25 to 40 years
Leasehold Improvements	Life of lease
Vehicles and Equipment	
Vehicles	5 years
Aircraft and vessels	5 to 24 years
Machinery, equipment and furniture	10 years
Maintenance and road construction equipment	15 years
Computer hardware and software	4 to 15 years

Infrastructure Assets:

Land	Indefinite
Land Improvements	30 years
Transportation	
Bridges and Structures	40 years
Provincial Highways, Roads and Airstrips	10 to 40 years
Dams and Water Management Structures	40 years

One-half of the annual amortization is charged in the year of acquisition and in the year of disposal. Assets under construction are not amortized until the asset is available to be put into service.

Detailed accounting policies for the recording and amortization of tangible capital assets and computer hardware and software (IT) can be found in sections [9F](#).

- 9) Guarantees by the government are made through specific agreements or legislation to repay promissory notes, bank loans, lines of credit, mortgages and other securities. Provision for losses on guarantees are recorded when it is likely that a loss will occur. The amount of the loss provision represents the government's best estimate of future payments less recoveries.
- 10) In the public sector, recognition and measurement of tangible capital and other non-financial assets are based on their service potential. Generally, such assets do not generate future net cash inflows. Therefore, these assets will not provide resources to discharge the liabilities of the government. For non-financial assets, the future economic benefit consists of their capacity to render service to fulfill the government's objectives.
- 11) The government recognizes a liability for remediation of contaminated sites when the following criteria have been met: there is evidence that contamination exceeds an environmental standard, the government is directly responsible or accepts responsibility for the contamination, it is expected that future economic benefits will be given up and a reasonable estimate of the amount can be made. In cases where Government's responsibility is not determinable, a contingent liability may be disclosed.

The liability reflects the government's best estimate of the amount required to remediate the site to the current minimum standard of use prior to contamination, as of the financial statement date. The liability is determined on a site-by-site basis and is reduced by estimated recoveries from third parties. Recorded liabilities are adjusted each year for the passage of time, new obligations, changes in management estimates and actual remediation costs incurred. The government will measure the liability using present value techniques when cash flows are expected to occur over extended future periods.

Detailed accounting policies and procedures concerning the liability for a contaminated site can be found in section [6B-2.0](#).

- 12) Inventories held for resale are recorded at the lesser of cost and net realizable value.
- 13) Litigation claims must be accrued as a liability if it's **likely** there will be a judgment against Government. If the outcome of the claim is undeterminable the claim should be disclosed in the notes of the financial statements of the Province in accordance with PS 3300 Contingent Liabilities. See section [6B-3.0](#).

D. Amounts Held in Trust for Investment or Administration

These amounts primarily represent sinking funds and surplus cash of government business enterprises and Crown organizations on deposit with the Minister of Finance for investment. Deposits of surplus cash funds not required to be specifically invested are pooled with other available funds of the Operating Fund for investment purposes and are accorded a market rate of interest. Sinking fund contributions made by government business enterprises, Crown organizations and others in respect of their direct debt are deposited with and specifically invested by the Minister of Finance. These investments are recorded at cost.

E. Measurement Uncertainty

Estimates are used to accrue revenues and expenses in circumstances where the actual accrued revenues and expenses are unknown at the time the financial statements are prepared. Uncertainty in the determination of the amount at which an item is recognized is known as measurement uncertainty. Such uncertainty exists when there is a variance between the

recognized amount and another reasonable possible amount, as there is whenever estimates are used.

Measurement uncertainty can exist in the accrual of individual, corporate income taxes, health transfers and Canada social transfer entitlements, Federal Government transfers, accruals for pension obligations, accruals for environmental obligations and allowances for doubtful loans and advances and provision for losses on guarantees.

More specifically:

- 1) The accrual of health and social transfer payments from the Federal Government and individual and corporate income taxes arises where there may be possible differences between the estimates for the economic factors used in calculating the accruals and actual economic results;.
- 2) Federal Government transfers where the ultimate determination of the transfer amounts are dependent upon the current year financial results of the Federal Government.
- 3) Accruals for pension obligations where there may be significant differences between actual results and the Province's best estimates of expected results based on variables such as earnings on the pension investments, salary increases and the life expectancy of claimants.
- 4) The uncertainty related to the accrual of environmental obligations is based upon the identification of all sites where environmental damages have occurred that are the Province's responsibility to mitigate and the quantification of what the actual liability will be based upon impact studies.
- 5) The uncertainty related to the allowance for doubtful loans and advances is based upon actual collectibility and changes in economic conditions.

BACKGROUND

The preparation of the Public Accounts, budget and forecast in accordance with Public Sector Accounting Standards (PSAS) requires departments and other government reporting entities to make judgments, assumptions and estimates that affect the reported amounts of revenues, expenses, assets and liabilities. Providing guidance on the extent to which departments and Other Reporting Entities (ORE) use judgement, assumptions, and estimates in applying accounting policies is fundamental to presenting reliable, fair and accurate financial reports.

In order to mitigate the risks due to uncertainty, complexity, and subjectivity of estimates, this section provides guidance on the following areas when an estimate is used:

- requirements for documentation of the model and methodology
- support for assumptions
- assessment of the need for the use of experts where applicable
- risk-based review of accounting estimates by the Office of the Provincial Comptroller (OPC)

ACCOUNTING ESTIMATES POLICY

The Public Sector accounting standards that are applicable for accounting estimates are PS 2120, PS 2125 and PS 2130. This section provides guidance to Government Reporting Entities that use PSAS on the minimum requirements for accounting estimates:

1. Required documentation of the model and methodology for calculation
2. Supporting documents assumptions
3. Use of experts where applicable
4. Risk-based review process by OPC

Accounting Estimates

Accounting estimates are judgements or assumptions used in applying an accounting policy when, because of estimation uncertainty, an item in financial statements cannot be measured with precision.

Estimates are common to most entities' financial statements. It is management's responsibility to make 'best estimates' according to their professional judgement and the information available to them. While these best estimates are recorded in the Summary Financial Statements (SFS) of the government, it is important to recognize that these amounts may differ in the future due to changes in conditions, possibly at a material level.

The Province includes a disclosure around the measurement uncertainty in their financial statements related to estimates. The main estimates disclosed in the SFS include but are not limited to the following:

- allowance for doubtful accounts	- pension obligations
- loans and advances allowances	- severance liabilities
- personal income tax revenues	- long term disability liabilities
- corporate income tax revenues	- contaminated sites liability
- tangible capital assets write-downs,	- health and social federal transfers
adjustments to remaining useful life	- shared cost revenue
- receivables for Disaster Financial Assistance	

The use of reasonable estimates that are sufficiently well documented to pass audit scrutiny while supporting the estimate, is an essential part of the preparation of financial statements and does not undermine their reliability.

Change in Accounting Estimate

Changes in estimates used in accounting are a necessary consequence of the periodic preparation of financial statements. Estimating requires the exercise of judgment as new events occur, as more experience is gained, or as additional information becomes available.

The department is required to provide the following information to [OPC](#):

- the estimate that is changing
- the effect of the change
- reasons and situations that make the change necessary
- range of possible values
- an explanation of the change, especially what assumptions have changed

Disclosure

Disclosure of the nature and effect on the current period may be desirable for a change in an accounting estimate that is rare or unusual and that may affect the financial results of both current and future periods. Conversely, disclosure is usually not necessary for a change in an estimate made each period in the course of accounting for normal operating activities, such as allowances for doubtful accounts. OPC will assess the need for disclosure based on the information provided.

DOCUMENTATION

The level of documentation required and the level of detail that the documentation contains should be proportional to the level of effort invested in developing the estimate.

All accounting estimates require the following three areas of documentation:

1. detailed description of the estimation methodology as certified by the responsible Executive Financial Officer (EFO)
2. detailed calculations supporting the value of the estimate signed by a professional who is in a position to verify the estimate
3. third party confirmation of the estimate in the form of reports, statements, in the year third party validation is obtained

Description of the Estimation Methodology

The description of the estimation process should include:

- the estimating technique that was used
- the estimating process, the activities conducted and any limitations
- the overall results
- the risk assessment, its findings and recommended contingency reserve (when applicable)
- how the estimate was validated and any validation findings

Estimates should be properly documented to ensure informed decision-making. The documentation should:

- provide an in-depth understanding of how the estimate was made
- allow for easy assessment of the estimate
- be able to withstand scrutiny and an audit
- allow any third party (e.g. OPC) to recalculate the estimates

Specific documents required for estimation of relevant financial items will be included in the relevant sections in FAM.

Support for assumptions

In order to support the assumptions used for estimates, departments should:

- state the assumptions (e.g. stating the choice of an interest rate, a discount rate, or judgments about future conditions or events)
- ensure assumptions and data are consistent from one period to the other for easy comparison
- identify new or revised assumptions and state the reasons for the change (e.g. there may be new types of transactions, change in terms of transactions or new events or conditions have occurred)
- document the basis of using the assumptions
- maintain proper documentation for verification purposes by OPC, external auditors or any third party

THIRD PARTY PROFESSIONAL OPINION – THE USE OF EXPERTS

Departmental estimates should be verified by a third party on a sample basis every five years.

Availability of new data that can be used for the estimation, changes in economy, growth in the value of the estimated accounting value, new technology and new methodologies in remediation, disproportionate cost escalation on a key input, necessitate a third party review of the estimates on a periodic basis.

It is not a requirement that every estimate should be independently verified. The intent is to verify assumptions, costs and any other estimation factors for a sample size in the department which can be applied to the broader estimate.

Please consult with OPC on the plans for third party verification and provide the results to OPC.

RISK-BASED REVIEW BY OPC FOR DEPARTMENTAL ESTIMATES

OPC will conduct reviews of departmental estimates on a periodic basis based on the level of risk associated with an estimate.

AUDIT SCRUTINY

In 2019, the Auditing and Assurance Standards Board (AASB) implemented significant revisions to Canadian Auditing standard (CAS) 540 – Auditing Accounting Estimates and Related Disclosures. Although OPC prepares the SFS for government, the revisions apply to government departments and

OREs as those who identify the need for accounting estimates to be used and who are directly involved in the details deriving accounting estimates.

Auditors will focus on the accuracy and methodology in support of accounting estimates in their client's financial statements. Therefore departmental and entity financial officers are responsible for understanding CAS – 540, and in combination with this policy, ensure compliance to the standard through accounting estimates processes that are well designed, executed and appropriately documented.

BACKGROUND

Beginning with the 2005/06 fiscal year, the Province of Manitoba adopted an accounting policy to recognize environmental liabilities in the financial statements. The implementation of the environmental liabilities policy was completed in 2008/09. The liability for all sites identified and contaminated before April 1, 2009 was charged to the opening accumulated deficit at April 1, 2008.

Section PS 3260, *Liability for Contaminated Sites*, was issued by the Public Sector Accounting Standards Board (PSAB) in June 2010. This section establishes standards on how to account for and report a liability associated with the remediation of a contaminated site. It is effective for year ends beginning on or after April 1, 2014 and it applies to all governments and government organizations following Public Sector Accounting Standards (PSAS).

The Province adopted PS 3260 effective April 1, 2014. All departments are required to comply with PS 3260 and will be audited by the Office of the Auditor General in accordance with the standard.

The accounting for PS 3260 is independent from the decisions surrounding the funding of this liability. The determination of the liability for each site should not be influenced by the availability of funding.

ACCOUNTING POLICY

It is the policy of the Province of Manitoba to record a liability for contaminated sites in accordance with PS 3260.

A liability for the remediation of a contaminated site should be recorded when contamination is identified and:

- a) an environmental standard exists
- b) contamination exceeds an environmental standard
- c) the Province is directly responsible, accepts responsibility, or is likely to be responsible
- d) it is expected that future economic benefits will be given up
- e) a reasonable estimate of the amount can be made

There are three (3) distinct steps in implementing PS 3260: Identification, Recognition, and Measurement.

THREE STEP APPROACH

The three steps in implementing PS 3260 are as follows:

Step 1 - Identification	Identify sites that are within the scope of PS 3260.
Step 2 - Recognition	For each site in scope, determine if it meets the recognition criteria in PS 3260.08.
Step 3 - Measurement	For each site that meets the recognition criteria, determine an approximate estimate of the liability.

Step 1 – Identification

To determine if a site is in scope of PS 3260, it is important to consider what the standard defines as contamination and a contaminated site.

Contamination	Contaminated Site
Contamination is the introduction into air, soil, water or sediment of a chemical, organic or radioactive material or live organism that exceeds an environmental standard.	A contaminated site is a site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A contaminated site does not include airborne contamination or contaminants in the earth's atmosphere unless such contaminants have been introduced into soil, water bodies or sediment.

PS 3260 provides some examples of what a liability for remediation normally results from.

- All or part of an operation of the government or government organization that is **no longer in productive use** (for example, abandoned military installations).
- All or part of an operation of entities outside the government reporting entity that is **no longer in productive use** for which the government accepts responsibility (e.g. an abandoned gas station).
- Changes to environmental standards relating to all or part of an operation that is **no longer in productive use** (e.g. new regulations requiring the destruction of stored polychlorinated biphenyls (PCBs)).
- An **unexpected event** resulting in contamination (e.g. accidental toxic chemical spills or natural disasters).

The examples illustrate that most often a liability for remediation of a contaminated site is going to result from a site that is no longer in productive use or from an unexpected event that causes contamination to occur.

PS 3260.06(b) states that the section does not apply to liabilities associated with the retirement of long lived tangible capital assets in productive use that result from its acquisition, construction or development or ongoing use (e.g. operating a nuclear facility).

NOTE: The presence of asbestos in a building is not within the scope of PS 3260. Unabated asbestos in a building does not normally create contamination and if the asbestos is disturbed, it releases fibers into the atmosphere. Air borne contamination is not within the scope of PS 3260.

To identify all potential contaminated sites, it is important to assemble a team of knowledgeable people from finance and operations, engineering, legal and procurement. Departments should consider the following to ensure their list of contaminated sites within the scope of PS 3260 is complete:

- Are there any sites with known contamination?
- Are there any sites where unexpected contamination has occurred (e.g. from a chemical or fuel spill)?
- Are there any sites that have a history of contamination (e.g. a site previously used for industrial purposes)?
- Are there any sites not in use and why are those sites not in use (e.g. sites that are fenced in and contain signs that say "do not enter")?
- Are any of the sites listed on the Department of Environment and Climate Change list of designated contaminated or impacted sites?

- Are there any sites not yet included on your list of contaminated sites where contamination may exist?

Step 2 - Recognition

PS 3260.08 outlines the criteria for recognition and explains that a liability for remediation of a contaminated site should be recognized at the financial reporting date when:

- a) an environmental standard exists
- b) contamination exceeds the existing environmental standard
- c) the government is directly responsible or accepts responsibility for the contamination
- d) it is expected that future economic benefits will be given up
- e) a reasonable estimate of the amount can be made.

An obligation for remediation of contaminated sites **cannot be recognized** as a liability under section PS 3260 **unless all of the above criteria are satisfied**.

For a general illustration of recognition criteria and steps to determine whether the government has a liability for environmental remediation, see the Liability for Contaminated Sites Decision Tree – [6A-2.1](#).

a) Determining if an Environmental Standard Exists

Environmental standards are generally set out in the form of a statute, regulation, by-law, order, permit, contract or agreement. They are legally enforceable and binding, and compliance is mandatory. An environmental standard can be both quantitative and qualitative. When determining if an environmental standard exists, existing or enacted legislation as well as contracts or agreements that are in effect at the financial statement date would be considered. However, future proposed changes in legislation would not be considered.

Internal government policies or guidelines developed by organizations external to the government can also create an environmental standard with constructive or equitable obligations.

[The Canadian Council of Ministers for the Environment \(CCME\)](#) is an organization external to the Province that has developed such guidelines.

National Classification System (NCS)

The CCME has developed a risk rating system to provide a basis for classifying contaminated sites according to their current and potential adverse impact on human health and the environment. [The National Classification System for Contaminated Sites Guidance Document](#) provides a convenient basis for assessing the need for remediation at individual sites, and for establishing the relative priority for implementing remedial measures among the sites that have been classified.

Contaminated sites are placed into one of five classes in order of priority as follows:

- **Class 1 – High Priority for Action:** available information indicates that action is required to address existing concerns for human health and environment. (Action required)
- **Class 2 – Medium Priority for Action:** available information indicates that there is a high potential for adverse off-site impacts, although threat to human health and the environment is generally not imminent. (Action likely required)

- **Class 3 – Low Priority for Action:** available information indicates that the site is not a high concern. Additional investigation may be carried out to confirm the classification. (Action may be required)
- **Class N – Not a Priority for Action:** available information indicates that there is probably no significant environmental impact or human health threats, and there is likely no remedial action required. (Action not likely required)
- **Class INS – Insufficient Information:** some assessment action has been taken but there is insufficient information to classify the site. (Additional information is required)

NOTE: Sites classified under Class 1 and Class 2 should be recognized as a liability. Class INS indicates that too many questions remain unanswered upon completion of the site assessment; however departments should keep in mind the possibility that future site assessments may indicate that the site is contaminated. Many sites classified as INS have NCS scores that would require them to be classified as Class 1 or Class 2.

Canadian Environmental Quality Guidelines for Soil and Water

The CCME has also developed the [Canadian Environment Quality Guidelines \(CEQG\)](#) for soil and water.

Provincial Legislation

The Department of Environment and Climate Change administers [The Contaminated Sites Remediation Act](#) (CSRA) and regulation 105/97. Environment and Climate Change maintains the Manitoba Designated Contaminated Sites List and the Manitoba Designated Impacted Sites List. If Environment and Climate Change determines that a site is contaminated at a level **that poses** a threat to human health or safety to the environment, it is designated as a contaminated site under the CSRA. If the site is contaminated at a level **that may pose** a threat to human health or safety to the environment, it is designated as an impacted site under the CSRA.

b) Determining if Contamination Exceeds the Existing Environmental Standard

The existence of an environmental standard does not in itself create a liability. For a liability to be recognized, the existence of contamination must *exceed* an environmental standard *at the financial reporting date*.

When determining if contamination exceeds the environmental standard, it is important to review all available historical and current information pertaining to the site or group of sites. Factors to consider include, but are not limited to, the following:

- i. the nature of past activities at the site or adjacent properties
- ii. site location, hydrology and geology
- iii. results from testing and field investigations
- iv. similarities to and experience at other known contaminated sites
- v. significance of site
- vi. cost versus benefit of conducting detailed site assessments.

For audit purposes, the best support for determining if contamination exceeds the existing environmental standard is a site assessment prepared by an external consultant.

Sites designated as a *contaminated site* or an *impacted site* have exceeded an existing environmental standard. Property owners of contaminated and impacted sites must prepare and submit a remediation plan for Environment and Climate Change approval. This includes properties owned by the Province.

The government may be uncertain about whether or not contamination exceeds an environmental standard, however, this uncertainty does not eliminate the need to determine if the liability should be recognized. Determining if the liability should be recognized will depend on the probability that future site investigations will confirm the existence of contamination exceeding an environmental standard at the financial statement date.

If the probability is likely and a reasonable estimate of the amount can be made, then the government should recognize a liability. Section PS 3300, Contingent Liabilities, defines “likely” as the probability of the occurrence (or non-occurrence) of the future event is high.

c) Determining if the Government is Directly Responsible or has Accepted Responsibility

Direct Responsibility

The government may be directly responsible for remediation due to its own past activities that have caused contamination. An example would be the Province’s transportation work yards.

The Province may also accept responsibility when activities occurred on government owned land, or land the government has since acquired, and a responsible party either cannot be identified or lacks the financial resources for remediation. For example, the Province has accepted responsibility for orphaned and abandoned mines.

Constructive Obligations

The Province may also accept responsibility for the remediation of a contaminated site by its own actions and promises. While most liabilities for remediation arise from legal obligations, the settlement of which can be enforced by a court of law, some may result from constructive or equitable (moral or ethical) obligations. An essential characteristic of a liability is that there is a present obligation resulting from a past event that leaves an entity little, if any, discretion to avoid it. To determine if the Province has taken on responsibility as the result of constructive or equitable obligations, it must determine if it has created a valid expectation among others that leaves it with no realistic alternative but to remediate the contaminated site.

Uncertain Responsibility

A situation may occur where an environmental standard exists, contamination exceeds this standard, the Province is not directly responsible and it does not accept responsibility, however, there is uncertainty as to whether the Province may be responsible. In this situation, the Province may have a contingent liability. A future confirming event may be required to determine whether the government is responsible.

In accordance with PS 3300 Contingent Responsibility, if it is likely that a future event will confirm the government’s responsibility, a liability will be recognized if it can be reasonably estimated.

It is important to remember that uncertainty about whether or not contamination exists (for example, due to a site assessment not yet completed) is not the same type of uncertainty that characterizes a contingent liability. The fact that the government has evidence to suggest that contamination may exist, but lacks specific information to confirm the nature and extent with certainty, is a measurement issue.

d) Determining Whether it is Expected that Future Economic Benefits will be Given Up

Whether or not the government chooses to perform remediation, the existence of contamination that exceeds an environmental standard may create a liability due to the obligation to remediate the contamination now or at some point in the future. The timing of the settlement would be reflected in the measurement of the liability, it would not relieve the government of its present obligation or recognition of the associated liability.

However, it is possible that a present obligation would not be recognized as a liability when it is not expected that the government will actually give up future economic benefits. Consider the following example:

A government is responsible for an abandoned mine site on Crown land where a site assessment has confirmed that contamination exists and exceeds an environmental standard. The site is in a remote location and the contamination is contained at the site. The contamination is not likely to affect public health and safety, cause damage, or otherwise impair the quality of the surrounding environment. Due to these factors, the government does not expect to remediate the site. The site will continue to be monitored as part of the government's ongoing environmental protection program.

Although the first three criteria for recognition are met, because the government does not expect to, and is unlikely to be enforced to remediate the site, it is not expected that future economic benefits will be given up. As a result, not all of the criteria under PS 3260.08 are met and the government would not recognize a liability for remediation.

e) Determine Whether a Reasonable Estimate of the Amount can be Made

If the first four recognition criteria have been met for a contaminated site, it would be very unusual that the government could not determine a reasonable estimate of the amount required to remediate the contamination. Step 3 takes a deeper look at estimating the amount of the liability for remediation.

STEP 3 - MEASUREMENT

A liability for remediation should be estimated based on information available at the financial statement date and should be reviewed on a site by site basis at each financial statement date.

Adjustments to the liability should be on a site by site basis and reported as a period cost or recovery. The liability continues to be recognized in the government's financial statements until it is settled or otherwise extinguished.

The liability should include costs required to bring a site up to the current minimum standard for its use prior to contamination. The estimate of a liability would include costs directly attributable to remediation. Costs would include but are not limited to:

- payroll and benefits
- equipment and facilities
- materials
- feasibility studies
- engineering and consulting services for site investigations
- legal and other professional services
- contractors to perform remediation

- costs of tangible capital assets acquired as part of remediation activities to the extent these assets have no alternative use (e.g. costs of a water treatment plant to treat effluent from an abandoned mine site)
- post remediation operation and monitoring (e.g. post remediation operation costs of a water treatment plant to treat effluent from an abandoned mine site)
- costs related to natural resource damage (e.g. revegetation outlays), but only if they are incurred as part of an environmental standard.

Where there is evidence to suggest that a site is contaminated, but for which a detailed site assessment has not been completed, consideration can be given to completed site assessments and experience gained at other sites that have typical or common characteristics. For example, MIT has numerous maintenance yards that are similar in nature, but detailed site assessments have been completed for only a limited number of sites.

The government need not complete a site assessment each year due to the costs. For the years between site assessments, the estimate of the liability could be based on an extrapolation of previously completed site assessments and consider factors such as:

- changes to the remediation strategies
- technological changes
- experience gained
- changes in assumptions
- actual expenditures to date
- changes in legislative standards
- inflationary pressures on the cost of inputs
- unforeseen changes in cost estimates.

When the effect of any change is significant, a new site assessment may be required.

Measurement Techniques

The measurement technique used to determine the liability should result in the best estimate of the amount required to remediate the contaminated site. Best estimate is the amount that the Province would rationally pay to settle or otherwise extinguish the liability at the financial statement date. This amount is based on the best estimate of the expenditures required to complete the remediation. Professional judgment supplemented by experience, third party quotes and reports of independent experts are required to estimate the expenditures.

A net present value (NPV) technique is often the best technique to use when the cash flows required to settle or otherwise extinguish the liability are expected to occur over extended future periods. Where a liability for a contaminated site is discounted, the unwinding of the discount is a period cost and should be reported as an expense of the period.

Liabilities for contaminated sites should be discounted only if the timing and amount of annual cash flows can be reasonably determined. Please contact the Manager, Accounting Standards – [Office of the Provincial Comptroller](#) to advise on an appropriate discount rate.

In all other circumstances, the liability for a contaminated site **should be reported in current dollars as of the financial statement date**. Future values **should not** be used.

Recoveries

The liability for remediation is reduced by any expected net recoveries, provided that the amount of the recovery can be reasonably estimated and it is expected that the benefits will be obtained.

(Note that PSAB is considering a consequential amendment to this section of PS 3260.)

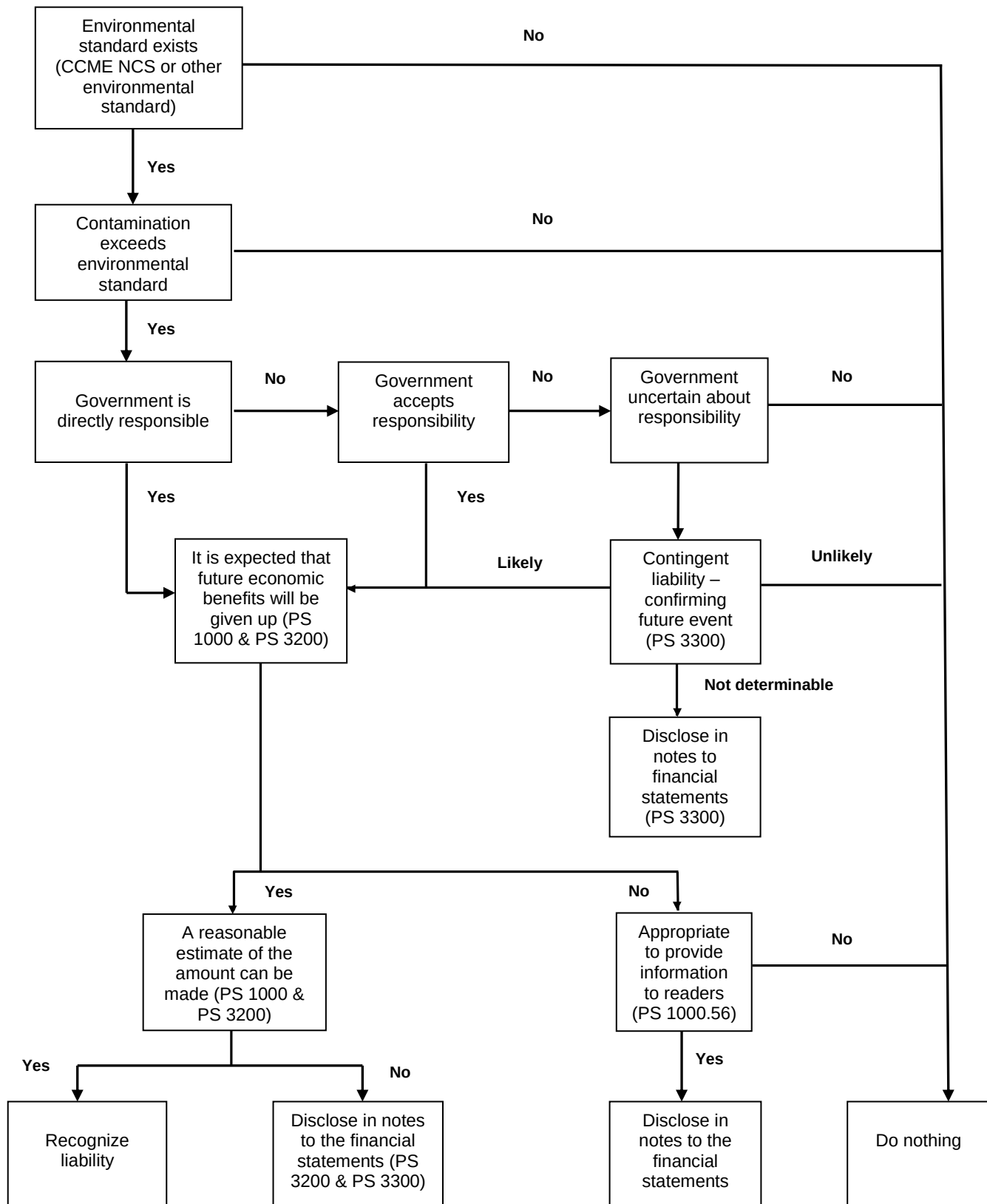
Disclosure

To help users of the financial statements understand the liability for contaminated sites the following disclosure should be included in the notes:

- The nature and source of the liability
- The basis for the estimate of the liability
- When an NPV technique is used, the total estimated undiscounted expenditures and discount rate
- The reasons for not recognizing a liability
- The estimated recoveries.

Any uncertainty that affects the measurement of a liability for remediation of a contaminated site should be disclosed in accordance with the requirements of section PS 2130: *Measurement Uncertainty*.

LIABILITY FOR CONTAMINATED SITES DECISION TREE





BACKGROUND

Beginning in 2019, the Province of Manitoba instituted a quarterly report into Treasury Board on costs related to pending and threatened litigation claims. This report is an accountability mechanism to ensure compliance with Public Sector Accounting Standards (PS 3200 and 3300), as well as to ensure adequate budgeting is in place with respect to outstanding litigation.

ACCOUNTING POLICY

It is the policy of the Province of Manitoba to record contingent liabilities in accordance with PS 3300 Contingent Liabilities. For example, litigation claims must be accrued as a liability if it's **likely** there will be a judgment against Government.

If the outcome of the claim is undeterminable the claim should be disclosed in the notes of the financial statements of the Province in accordance with PS 3300.

There are two basic characteristics of contingent liabilities/assets:

- 1) there must be an existing condition or situation at year end
- 2) there must be an expected future event (e.g. a court case) that will resolve the uncertainty as to whether a present obligation to sacrifice economic benefits exists.

The determination of whether a liability exists at the financial statement date depends on an assessment of the probability of a future event occurring or not occurring. The assessment of the probability is a management responsibility using professional judgment under the advice of Manitoba Justice, Legal Services Branch (LSB). The uncertainty relating to the occurrence or non-occurrence of the future event(s) can be expressed by a range of probabilities. Three areas of this range are as follows:

- **likely** — the probability of the occurrence (or non-occurrence) of the future event(s) is high
- **unlikely** — the probability of the occurrence (or non-occurrence) of the future event(s) is slight
- **not determinable** — the probability of the occurrence (or non-occurrence) of the future event(s) cannot be determined.

If the possibility of the determining future event is unlikely government does not accrue or disclose the liability.

A contingent liability must be **recognized** (i.e. **accrued**) in accordance with Public Sector Accounting Standards when:

- it is likely that a future event will confirm that a liability has been incurred at the date of the financial statements; and
- the amount can be reasonably estimated.

The existence of a contingent liability at the date of the financial statements should be disclosed in notes to the financial statements in accordance with PS 3300 when:

- the occurrence of the confirming future event is likely but the amount of the liability cannot be reasonably estimated
- the occurrence of the confirming future event is likely and an accrual has been made, but there exists an exposure to liability in excess of the amount accrued, or

- the occurrence of the confirming future event is not determinable.

Measurement

The carrying amount of a contingent liability must be continually assessed.

When a recognized contingent liability is mitigated by a counterclaim or another claim against a third party and the probability of recovery is likely, this amount would be taken into account when determining the amount of the contingent liability.

PROCESS

The Government recognizes contingent liabilities (for example, litigation claims) on an accrual basis as soon as the criteria of PS 3200 is met.

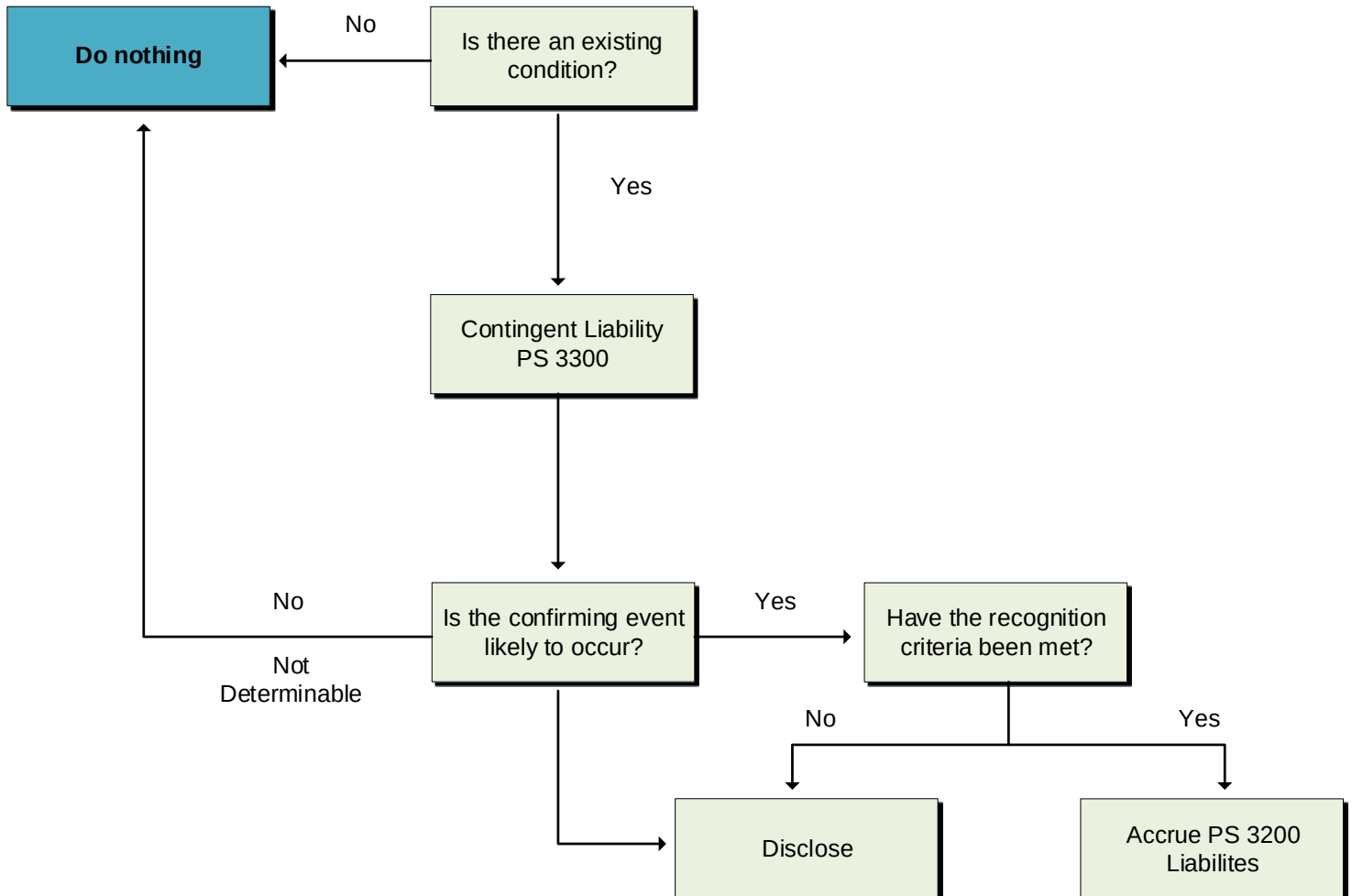
Each quarter-end, departments, in consultation with LSB, will submit the following information to publicaccounts@gov.mb.ca. The information is to be submitted by the departmental Executive Financial Officer.

- 1) Description of pending or threatened litigation
- 2) Estimated amount
- 3) Indicate if a claim is with Insurance and Risk Management
- 4) Name of Legal Counsel

The liabilities will be booked centrally by Public Accounts, if criteria of PS 3200 are met using G/L 3300135.

Departments will also provide a final year-end report on pending or threatened litigation following the established year-end reporting processes.

CONTINGENT LIABILITY DECISION TREE



The central financial and accounting system is the principal accounting system of the Province and discharges the Minister of Finance's responsibilities relating to the deposit of receipts into and the withdrawal of funds out of the Consolidated Fund. It is also the principal system for the management and control of assets held in trust by the Province; the periodic preparation and analysis of information; the publication of the Public Accounts; and for regular monitoring and control of the budget at the Cost Centre level. Budget detail can be achieved through to the cost element level.

The central financial and accounting system utilizes five integrated modules that create the required financial management needed as well as the General Ledger for the Province. These modules are:

- Financial Accounting (FI Module)
- Controlling (CO Module)
- Funds Management (FM Module)
- Materials Management (MM Module)
- Human Resources (HR Module)

The central financial and accounting system is a modified accrual accounting system. It does not reflect commitments outside the Materials Management module with the exception of manually entered commitments. The Province accrues for unpaid claims under shared-cost agreements, and reports them as revenue for the current fiscal year. Departmental systems for shared-cost claiming must provide the Minister of Finance with the information required for the reporting of these claims to the Legislature and in Public Accounts.

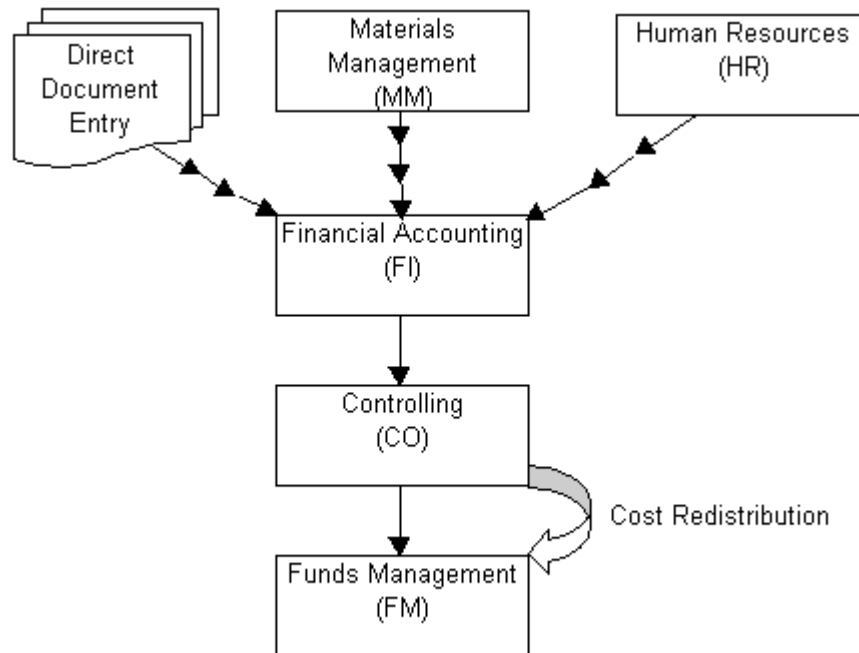
The objectives of the central financial and accounting system are:

- To ensure the integrity of the system by including adequate controls for accuracy and security.
- To comply with and monitor compliance of Treasury Board directives and the requirements of the Auditor General.
- To provide a unified system to allow government departments to access and manage transaction information, reports and other data.
- To confirm receipts into and payments out of the Consolidated Fund are properly recorded.

Business transactions are managed in the HR Module, MM Module, and other modules in the central financial and accounting system. The resulting expenses are passed to the FI Module, CO Module and FM Module. As well, costs, revenues, and internal allocations are posted to the FM module, where they are tracked against the budget. These transactions include payroll accounting from the Human Resource Management area, purchasing from the Materials Management area and general ledger postings from the Financial Accounting area.

The central financial and accounting system is an integrated, real-time business system. Modules interact with others as a result of entering financial transactions to perform the various operational business processes as depicted on the following page:

Business Transaction Flow



*** CO and FM are updated simultaneously from FI

In the central financial and accounting system, every document is assigned a number. This is known as the document principle. This document number is used to drill down on transactions and also to cross-reference the different documents which comprise a transaction, such as an invoice or a General Ledger posting (or Journal Voucher). It is recommended that the document number be recorded on all original documentation that supports the document that is generated from the system.

Due to integration of the modules adopted in the central financial and accounting system, the system allows for and is able to:

- provide the basis for external Public Accounts reporting
- supply data for internal Balance Sheet reporting
- perform the recording and analysis of all the government's business transactions
- aid in the implementation of business decisions by detailing Balance Sheet accounts by business area
- provide internal reporting of revenues, expenditures, and recoveries for all levels of government
- be used to plan, control and check costs
- allow for detailed planning by Responsibility Centre, Activity, and Sub-Activity

- provide for Project Accounting
- redistribute costs and record recoveries
- manage and report on funds availability based on approved or printed estimates level (the Vote)
- record both manual and automatic commitments
- enter transactions into sub-modules which include G/L Accounting, Accounts Payable, Accounts Receivable and Asset Accounting
- maintain organizational units and positions to reflect approved Treasury Board resources
- process and maintain employee master data, time data and benefits data along with pay changes
- maintain the status of each applicant in an advertised staffing competition
- track inventory levels, purchasing frequency and sustain reorder levels
- issue both non-purchase order based and purchase order based requisitions

MODULES

As noted earlier, the central financial and accounting system contains the following modules:

The Financial Accounting (FI) module contains sub-modules for recording and analyzing business transactions. These sub-modules include General Ledger (G/L) Accounting, Accounts Payable, Accounts Receivable and Asset Management.

The main purpose of the **General Ledger Accounting** sub-module is to record business transactions and report results through prepared financial statements, including a balance sheet and an expenditure and revenue statement. The system updates the general ledger's account balances when any business transaction is processed, thus enabling the user to analyze and report total account balances. This ensures account balances are always consistent with transaction data, and that the accounts are complete and reconciled at all times. The general ledger receives data from sub-ledgers such as Accounts Payable, Purchasing and Asset Management. General ledger master data contains general data about each account (e.g., account number, account name, type of general ledger account, etc.).

The general ledger is the main component of the central financial and accounting system, and is always posted to when entering a business transaction. The details of the business transaction are accessible at any time through account balances, journal entries, balance sheets and revenue and expenditure statements. The general ledger provides current fiscal year financial and accounting data as well as year-end close information.

During the current fiscal year, the main functions of the general ledger are to continuously collect, record and reconcile all posting data in a central location, as well as close certain accounts at month-end and fiscal year-end. Closing a fiscal year generally requires a series of entries to closing

accounts for the balance sheet and revenue and expenditure statements. A fiscal year can be directly closed at any time while running financial accounting.

The central financial and accounting system is based on a self-contained unit of data referred to as a **document**. The document consists of a header with organizational data (e.g., document date, posting date and currency), and two or more lines to record the transaction details (e.g., amount, account number, tax code, cost centre, etc.). Uniform data structures, clear-cut rules regarding posting, and strict validation ensures that each document is complete and correct before the system posts the data to general ledger accounts. Transactions are posted to the general ledger accounts only if the debits equal the credits. The system updates the general ledger's account balances when any business transaction is processed, thus enabling the user to analyze and report total account balances and ensure account balances are always kept consistent with transaction data.

To ensure consistency of data, a classification/chart of accounts structure exists within the central financial and accounting system (See [Section 6D-1.3](#) for details).

The **Accounts Payable** sub-module contains the accounting data for all vendors. It shares a Central Vendor Master File with the Materials Management (MM) module. In this module, deliveries and invoices are recorded for each vendor, figures from invoices are supplied to the Funds Management (FM) module, and the payment program settles outstanding payables. The Accounts Payable module can generate balance lists, journals and other reports in order to aid in the documentation of transactions.

The **Accounts Receivable** sub-module contains the accounting data for all customers. Credit memos and invoices are recorded for each customer, and the Accounts Receivable module supplies the figures from invoices to be used for anticipated collections. Postings in Accounts Receivable are simultaneously recorded in the General Ledger, with different G/L accounts being updated according to the transaction involved (receivables, down payments, etc.). The Accounts Receivable module can generate balance lists, journals, aging and other reports.

The **Asset Accounting** sub-ledger records, calculates and processes such transactions as asset acquisitions, retirements, transfers and amortization. It calculates amortization and automatically updates the Asset Master Record and the General Ledger through month-end runs.

The **Controlling (CO)** module is used for detailed internal reporting of revenues, expenditures and recoveries for all levels of government. It is used for detailed planning, and to control and check costs.

The **Funds Management (FM)** module manages and reports funds availability for the government/department/Business area based on the approved or printed estimates level (the Vote). Commitments are recorded, both automatically and manually in this module. The data contained in this module is at a summary level as opposed to the detailed reporting in the Controlling Module.

The **Materials Management (MM)** module contains all the activities relating to procurement. The procurement process begins when a purchase requisition is initiated. It is at this point that funds are committed to fulfil the defined need. Once a purchase requisition is released (approved), quotations are returned from vendors in response to request for quotations tendered, and are entered into the central accounting system. A purchase order is then created based on the identification of the successful vendor's quotation. Approval of the purchase order authorizes the terms of business with the vendor and is an approval of funds commitment on the purchase order. The materials/services are then received in accordance with the purchase order. The purchase order and goods receipt are two components of the three-way verification for payment. Invoice receipt will enable the 3rd match.

The Human Resources (HR) module consists of interactive sub-modules that allow for maintaining organizational units, timekeeping, payroll administration, recruitment, employee administration and benefits. These sub-modules include Organizational Management (OM), Recruitment, HR Master Data, Time Management, Benefits and Payroll. Data is entered only once and can be transferred or shared across the system.

Human Resource sectors maintain organizational units and positions to reflect Treasury Board approved resources. In the **Organizational Management (OM)** sub-module, the organizational hierarchy mirrors the Fund Centre/Cost Centre hierarchy in the Funds Management (FM) module. Organizational units have a direct relationship to a Cost Centre, which is inherited by all positions in the organizational unit. The OM module is also used to maintain position review activity approved under The Public Service Act, report on vacant positions and positions with no holders, and sustains the province's classification system.

When requirements dictate that a vacant position in OM needs to be filled, an electronic recruitment file is opened with the creation of an "Advertisement" in the **Recruitment** module. The Recruitment module is used to chronicle staffing activity and applicant data. It produces statistical staffing reports related to competitive and direct appointments made under the authority of The Public Service Act.

The **HR Master Data** sub-module is used to record changes in an employee's work life including promotions, layoffs, leaves, merit increments and terminations. Pay changes that may result from such changes in employment are processed in this module. This module also stores employee data, thereby creating an online personnel file, and integrates with the Payroll module to produce employee pay cheques.

The **Time Management** sub-module maintains a record of employee absences and attendance as related to their pay. Timekeepers enter attendance, absences and payment of exception attendance for all active employees in an organizational unit. Time Management uses HR Master Data during time evaluation.

The **Benefits** sub-module maintains employee benefit options and beneficiaries. It is also used to administer benefit plans negotiated between the Province of Manitoba and its employees. The benefit costs are transferred to Payroll, posted to the General Ledger in the Financial Accounting (FI) module, and are ultimately paid to the benefit carriers. Enrolments and terminations of benefits are automatically transferred from the central accounting system through interfaces with the specific benefits carriers.

The **Payroll** sub-module facilitates the generation of employee pay cheques, remittances to third parties and posting of payroll costs to accounting (CO). In order to produce pay cheques, information is processed from an employee's master data, time data and benefits data. Pay is calculated for each employee based on the employee's pay scale group, entitlements and other automatic deductions. Remittances to third parties includes income taxes, Canada Pension Plan, Employment Insurance, Superannuation Fund contributions and other deductions. Other payroll activities include producing T-4 statements and other calendar year-end activities.

REPORTS

Reports are used to analyze business processes and to make business decisions. The central financial and accounting system enables reports to select data and display it in a structured form for analytical purposes from every module. There are standard reports contained within each module which can be tailored for individual purposes. Reports can be custom designed by a user to suit specific needs.

RECEIPTS

All receipts deposited to the Consolidated Fund are coded at the time of the deposit for proper recording in the General Ledger. This coding identifies the receipt as Operating or Trust Fund; as an Asset, Liability, Revenue or Expenditure (reduction to); as to originating department; and as to the purpose of the receipt.

REVENUES

All revenues are recorded on an accrual basis except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable. Government transfers are recognized as revenue in the period during which the transaction is authorized and any eligibility criteria are met. Entitlements from the Government of Canada are recorded on a cash basis except for accruals of prior year adjustments determined before June 30th each year. Recoveries of debt servicing costs on self-supporting debt and revenue earned on investments and advances are recorded as a reduction of debt servicing expense.

Revenue and expenses are recorded in gross amounts with a few exceptions. For details see the **Gross Accounting Concept** in the Province of Manitoba Annual Report or refer to [6B-1.0](#).

PAYMENTS

All payments made out of the Consolidated Fund are processed through the Financial Accounting (FI) module of the central financial and accounting system. The FI module passes the corresponding transaction information into the Controlling (CO) and Funds Management (FM) modules for budgeting, planning, forecasting, controlling and funds availability purposes.

EXPENSES

All expenses incurred for goods and services received are recorded on an accrual basis. Exceptions to this policy involve the acquisition of inventories acquired for the government's use, which are reflected as expenses when incurred. Expenses should include provisional amounts recorded in anticipation of future costs that are quantifiable and have been identified as obligations. Government transfers are recognized as expenses in the period during which the transaction is authorized and any eligibility criteria are met.

The following definitions apply in the classification of accounts:

GENERAL LEDGER ACCOUNT:

A General Ledger account records the financial transactions of the Province of Manitoba. They collectively make up the Chart of Accounts, used for the creation of the Balance Sheet and Revenue and Expenditure Statements of the Province.

COST ELEMENT:

A cost element is used to identify the nature of each expenditure. They are closely related to the General Ledger.

COST ELEMENT GROUP:

Cost elements with similar characteristics can be grouped together to form a Cost Element Group. To report several cost elements in one operation, a cost element group can be used. They are often used to define subtotals that are printed on reports.

COMMITMENT ITEM:

Commitment items reside in the Funds Management (FM) module of the central financial and accounting system and are used to classify business transactions at a higher level such as Salaries, Grants, Capital, Operating, Revenues and Recoveries.

OPEN ITEMS:

Open items are unfinished transactions. Open items may be cleared from the central financial and accounting system only if they have been posted to accounts that are managed on an open item basis.

OPEN ITEM MANAGED:

Open item managed accounts are general ledger accounts where line items can be cleared from open to closed.

COST CENTRE:

A cost centre is a representative of a departmental program, responsibility centre or activity. They represent a separate location for cost capture, and are established based on how each department manages their business. Cost centres are identified by a unique 6-digit code.

COST CENTRE GROUPS:

Cost centre groups break down to other groups and ultimately to the base cost centres. Costs will be allocated to the base level cost centres, then rolled up to the cost centre groups. Cost centre groups provide a mechanism for reporting at various levels within the costing structure.

FUND (SOURCE):

The Fund represents the source of funds or authority under which a budget transaction is processed (i.e., where the budget monies come from). The Fund is also known as a Main Appropriation or Vote.

FUND CENTRE:

A Fund Centre is also known as a Sub-appropriation, and represents a responsibility area where a budget is allocated for revenues generated, expenditures and recoveries.

The classification of accounts determines the manner in which financial data are identified, recorded, summarized and reported for planning, resource allocation, control, and results evaluation. The main objectives of the classification of accounts structure are:

- to classify receipts and disbursements so as to provide meaningful financial information to both the Legislature and departmental management
- to allow consistent, accurate and complete reporting of financial information
- to allow for the management and reporting of funds availability based on approved or printed estimates level
- to ensure efficiencies in the coding of documents and in interpreting reports
- to ensure effective control over all assets and liabilities
- to allow for the control and reporting of revenue by source, expenditures and recoveries

In government accounting, the development of a classification of accounts is dictated by two requirements: first, there is a need to provide financial information to the Legislature and the public in the form required for the Public Accounts, and second, there is a need to provide detailed expenditure information necessary at the department level.

PUBLIC ACCOUNTS

There are two distinct structures which are required to identify each transaction:

1. The general ledger classification structure which provides for the grouping of accounts into the financial statement order of Assets, Liabilities, Revenues and Expenditures:

Assets/Liabilities

This classification structure provides for the classification of recorded assets and liabilities in the general ledger. This refers to those assets which are claims by the government on other parties, and liabilities which are claims by other parties on the government.

Revenues

This classification structure provides for the classification of revenue by Source and by Business Area. All revenues must be coded as to Source as established during the annual Estimates of Revenue process.

Expenditures

Expenditure (Appropriation) codes are developed during the Estimates process during which each department has the freedom to establish the purpose of each appropriation (fund/fund source) and sub-appropriation (fund centre). The appropriation may represent:

- a) a program, which states expenditures in relation to program/activity/sub-activity (output). This classification identifies operations, processes, services, projects, tasks, and so on, all of which in turn identify the purposes for which public funds are

expended to attain program objectives. Typical terminology used to describe program levels include:

Program - a major function designed to achieve specific objectives.

Project - an undertaking with a specific objective that is self-contained within a program.

Activity - a set of actions chosen as a means to accomplish the objectives of a project. These actions should be sufficiently specific to permit direct measurement of results.

- b) a responsibility, which states expenditures in terms of organization (process). This classification identifies managerial responsibility from the highest level, where a single officer is responsible for a program, through to progressively lower levels of delegated responsibility. In this way, those officers responsible and accountable for expending public funds are so identified. Typical terminology to describe responsibility levels include:

Department (Business Area) - the primary level of administration for which a deputy minister is responsible.

Division (Cost Centre) - the second level grouping of a number of branches in large or complex departments reporting to an Assistant Deputy Minister or equivalent.

Branch (Cost Centre) - a sub-group within a division of a department. In smaller departments, a sub-group within a department.

Section - a unit with a specific function within a branch.

Sub-Section - a sub-division of a section where the volume or complexity of the section demands a further organizational division.

Unit - the smallest segment of the organization.

NOTE: Program structure and responsibility structure are often the same, in that departments are organized to facilitate program delivery.

- c) an element/object, which states expenditures in terms of what is acquired/achieved (input). This classification identifies a major expenditure for goods or services, e.g., acquisition/construction of a tangible capital asset.

2. The Cost Element classification structure which provides for the identification of the nature of each expenditure (e.g., salaries, grants, transportation, supplies and services, etc.). The required codes are established by the Department of Finance.

DEPARTMENTAL INFORMATION

There are two distinct structures required to identify each transaction:

1. The Cost Centre/Order classification structure which provides for the further classification of revenues and expenditures by cost centre to meet departmental management information needs. Departments must use the codes available within the central financial and accounting system to provide for management information with regard to cost centre and cost elements (general ledger accounts). However, departments may request the creation, change or deletion of a cost centre or cost element in the central financial and accounting system in order to better suit their business needs.
2. The central financial and accounting system requires the coding of expenditures under shared-cost agreements to facilitate the claiming process.

1. Receipts must be identified at the time of deposit for direct recording in the general ledger.
2. Disbursements must be identified in the appropriation (vote) and sub-appropriation format as approved by the Legislature or in the account format as established by the Provincial Comptroller.
3. The departmental expenditure classification system should provide for information reporting by
 - Program - a grouping of activities directed at achieving a particular goal
 - Responsibility - an identification of responsibility for expenditures at each organizational unit
 - Element/Object - an identification of the nature of expenditures. This may be coded at the vote (appropriation) level and must be coded at the standard cost element level
4. The senior financial officer in each department is responsible for identifying changes to the chart of accounts (account code structure) which will satisfy both the Minister of Finance and departmental needs.
5. Each department must submit requested changes to the account code structure, including additions and deletions on an as required basis, to the Office of the Provincial Comptroller for authorization and entry to the central financial and accounting system. Email publicaccounts@gov.mb.ca.
6. All disbursements under shared-cost agreements must be identified by agreement, type of expense and shareability to ensure that claims are processed for all monies due to the Province.



The central task of General Ledger accounting is to provide a comprehensive picture for external accounting (Public Accounts) and internal accounting (management reporting). Recording all business transactions in a system that is fully integrated with all the other operational areas ensures that the accounting data is complete and accurate.

The general ledger of the central financial and accounting system has the following features:

- automatic and simultaneous posting of all sub-ledger items in the appropriate account;
- simultaneous updating of general ledger and cost accounting areas;
- real-time evaluation of and reporting on current accounting data;
- evaluation and reporting in the form of account displays, financial statements with different financial statement versions and additional analyses.

The general ledger serves as a complete record of all business transactions. It is the centralized, up-to-date reference for the rendering of accounts. Individual transactions can be checked at any time by displaying the original documents, line items, and transaction figures at various levels.

For each General Ledger account required, a master record must be created. The [General Ledger Account Request](#) form must be completed, authorized and forwarded to the Department of Finance in order to have the request processed. A general ledger account (cost element, revenue element or balance sheet account) will be established if the following criteria have been met:

- it is a unique object of expenditure/revenue; and
- the amount is material; or
- there are a significant number of transactions and the total value of these transactions require separate reporting / analysis; or
- reconciliation is performed on an on-going basis.

Upon approval, the general ledger account master record containing the information that controls how data is entered and processed into the account will be created. Once this general ledger account is created, a corresponding Primary Cost Element (PCE) is created in the Controlling Module with the same account number and name. The general ledger and primary cost element are then linked to a commitment item in the Funds Management module. This linkage accomplishes the integration of expenditures, revenues and recoveries within all financial modules automatically.

Financial reports provide information on transactions that flow through the central financial and accounting system. This information is used to satisfy the reporting requirements of [The Financial Administration Act](#), and is also used in planning, resource allocation, funds management, controlling activities, budgeting and in evaluating programs, divisions and branches.

Users of financial reports need assurance that the information presented in the reports is reliable. The reliability and consistency of the information contained within reports is improved through the use of a well-designed classification of accounts system for properly identifying, recording and categorizing financial data.

To ensure government-wide consistency, the Province of Manitoba has adopted one chart of accounts in the central financial and accounting system to be used by all departments. The numbering convention for the Chart of Accounts is as follows:

CHART OF ACCOUNTS

ACCOUNT NAME	G/L ACCOUNT NUMBER
Financial Assets	1000000 - 1999999
♦ Cash and Equivalents	1010000 - 1010999
Bank Balance	1010000 - 1010999
Temporary Investments	1011000 - 1011999
Other Investments	1012000 - 1012999
♦ Amounts Receivable	1020000 - 1029999
Taxation Revenue	1020000 - 1020999
Government of Canada and Other Government	1021000 - 1021999
Interest Income	1022000 - 1022999
Other Accounts Receivable	1023000 - 1023999
♦ Loans and Advances	1030000 - 1039999
Crown Organizations & Government Enterprise	1031000 - 1031999
Other Governments	1032000 - 1032999
Other Loans and Advances	1033000 - 1033999
♦ Long-Term Investments	1040000 - 1049999
Shares & Debentures of Crown Organizations	
Common Shares	1041000 – 1041999
Preferred Shares	1042000 – 1042999
Debentures	1043000 – 1043999
Other Investments	
Common Shares	1044000 – 1044999
Special Shares	1045000 – 1045999
Profit Sharing Agreements	1046000 – 1046999
♦ Inventory	1060000 – 1060999
♦ Capital Assets	1080000 – 1089999
♦ Allowances	1100000 – 1199999
Amounts Receivable	1120000 – 1129999
Loans and Advances	1130000 – 1139999
Long Term Investments	1140000 – 1149999
♦ Accumulated Amortization	1180000 – 1189999
♦ Sinking Fund Payments Received on Loans Receivable	1230000 – 1239999

ACCOUNT NAME	G/L ACCOUNT NUMBER
Trust Assets	2000000 – 2999999
♦ Cash and Equivalents	2000000 – 2999999
♦ Sinking Funds	2100000 – 2199999
♦ Funds on Deposit for Investment	2200000 – 2299999
♦ Notes Receivable	2300000 – 2399999
Liabilities	3000000 – 3999999
♦ Borrowings	3000000 – 3999999
♦ Accounts Payable	3100000 – 3199999
♦ Accrued Interest	3200000 – 3299999
♦ Other Accrued Liabilities	3300000 – 3399999
♦ Provision for Future Losses on Guarantees	3400000 – 3499999
♦ Deferred Revenue	3500000 – 3599999
♦ Amounts Held in Trust	3600000 – 3699999
Government Enterprises	
Sinking Funds	3610000 – 3619999
On Deposit for Investment	3620000 – 3629999
On Deposit for Administration	3630000 – 3639999
Crown Organization	
On Deposit for Investment	3640000 – 3649999
On Deposit for Administration	3650000 – 3659999
Fiduciary and Other Government Related Trust	
On Deposit for Investment	3660000 – 3669999
On Deposit for Administration	3670000 – 3679999
Other Special Funds	3900000 – 3910000
Accumulated Deficits	
(Surpluses)	4000000 – 4999999
♦ Operating Fund	4000000 – 4099999
♦ Fiscal Stabilization Account	4100000 – 4199999
Revenue	5000000 – 5900000
♦ Taxation	5100000 – 5199999
♦ Government of Canada	5200000 – 5299999
♦ Reserved for future expansion	5300000 – 5399999
♦ Other	5400000 – 5499999

ACCOUNT NAME	G/L ACCOUNT NUMBER
Expenditures	7000000 – 7999999
♦ Salaries	7100000 – 7199999
♦ Grant and Transfers	7200000 – 7299999
♦ Transportation	7300000 – 7399999
♦ Communication	7400000 – 7499999
♦ Supplies and Services	7500000 – 7599999
♦ Debt Servicing	7600000 – 7699999
♦ Minor Capital	7700000 – 7789999
♦ Amortization	7790000 – 7799999
♦ Other Operating	7800000 – 7899999
♦ Financial Assistance	7900000 – 7989999
♦ Primary Settlements	7990000 – 7999999
Secondary Costs	8000000 – 8999999*

*Labour and activity allocations only.

INTRODUCTION

There may be instances where departments must maintain financial systems separate and apart from the government's central financial and accounting system. When implementing such systems, departments must ensure that they relate to the basic requirements of the financial management function and to the responsibilities of individual ministers to account for, control and report on the financial and physical resources which are entrusted to them.

Departmental financial systems include:

- those systems directly or indirectly linked with the authorization and recording of commitments and expenditures; the collection and recording of public monies due to the province; the accounting for and custody of physical assets; the accounting for and control of other assets; and, the recording and reporting of information used in evaluating financial performance.
- those systems required to process transactions and balance them with the central accounting system.

REQUIREMENTS

Departmental systems must ensure that:

- they meet the financial management and control needs of the department
- they fulfil the financial accounting and control requirements under [The Financial Administration Act](#) and [The Auditor General Act](#)
- they satisfy the administration and management requirements of Treasury Board
- they ensure the integrity of the data by including adequate controls for accuracy and security
- they are integrated with one another and interface where appropriate with the government's central financial and accounting system

POLICIES

The following policies govern the use of departmental financial systems:

- Any non-standard departmental financial system must be approved by Business Transformation and Technology (BTT) following an investigation that determines the standard corporate financial management business applications do not address departmental business requirements. Such a system must adhere to comptrollership components, as outlined in section [1F-1.0](#), and approval to proceed with system implementation will be required from Treasury Board Secretariat.
- Departments must clearly define their financial system business requirements, as well as the fundamental purpose and objectives of the new system(s), in order to facilitate effective development, implementation, control and evaluation to ensure planned objectives can be accomplished.

- All departmental financial systems will be under the direct control of the department's Executive Financial Officer (EFO).
- All departmental financial systems must fulfil financial and accounting requirements under The Financial Administration Act and the Financial Administration Manual.
- Departments must establish and maintain a current, properly documented inventory of all their financial systems.
- New or revised departmental financial systems must comply with all information and communication technology (ICT) policy requirements.
- Departmental financial systems must ensure accuracy, completeness, and timeliness of relevant outputs and financial reporting.
- Departmental financial systems must interface, where appropriate, with central financial and accounting systems, including delineation of roles and responsibilities.
- Departmental financial systems must be periodically evaluated against original objectives in terms of meeting planned outputs. An evaluation checklist is recommended to carry out an effective assessment relative to costs and alternatives.

PURPOSE

The purpose of this section is to describe policies and procedures applicable to the retention and destruction of departmental copies of the principal financial and accounting documents.

DESCRIPTION

Departments are responsible for managing their copies of financial and accounting documents. This responsibility includes ensuring that these documents are properly organized, related files are maintained on an up-to-date basis, and that they are adequately protected.

For purposes of records retention and destruction and with the objective of releasing space occupied by old and unnecessary duplicate documents, the principal financial and accounting documents have been identified, listed and scheduled as shown in [6F-Appendix A](#).

This schedule is designed to enhance consistency in the retention of financial documents, to facilitate departmental analysis of retention issues and to facilitate a reasonable turn-over of inactive documents, resulting in more efficient and effective use of documents storage equipment and facilities.

The schedule has been approved by the Archivist of Manitoba. It should be noted that this schedule is **not** an approval to destroy; rather it is a schedule of **minimum** retention periods only. Therefore, it is incumbent upon departments to assess their specific retention requirements.

When assessing retention periods, each item being reviewed should be evaluated from the point of view of its activity and the informational, financial and legal requirements. Long-term retention responsibility for many of the principal financial and accounting documents has been established by Regulations to [The Financial Administration Act](#) for original documents held by the Department of Finance. These documents are identified in Appendix "A" by an asterisk (*) and are included for informational purposes. This information may be a criterion for departments in determining appropriate retention periods for the departmental copies of the same documents.

However, if experience has indicated high levels of document activity beyond the minimum retention periods, and/or there is a frequent or regular need to access older documents for statistical, trend analysis or similar research and reporting purposes, it is suggested that departmental retention periods be extended.

Departments wishing to destroy inactive financial documents which have surpassed their retention periods as shown in Appendix "A", must do so in accordance with a records schedule approved by the Archivist of Manitoba. For assistance in preparing records schedules, contact your departmental Records Management representative or the Government Records Office, Archives of Manitoba.

PURPOSE

The schedule that follows displays the minimum retention periods associated with **departmental** copies of the principal financial and accounting documents. All supporting documentation for financial transactions are to be maintained on file in departments in accordance with retention requirements (for audit purposes).

FORMAT

The financial records retention schedule contains key information associated with each document listed as follows:

- the document name/title, number where applicable and any other supporting information.
- the number of parts where applicable.
- filing responsibility for the part(s) of each document.
- retention period (minimum) associated with each document and its parts.
- active/inactive time frames are provided as a guide to determining when physical records should be considered for transfer to the [Manitoba Government Records Centre](#).
 - To be transferred, all records require an approved records schedule

The schedule is divided into three major sections as follows:

1. Main Accounting Documents - Current System
2. Main Payroll Documents - Current System
3. Computer Output Documents - Legacy System

MAIN ACCOUNTING DOCUMENTS CURRENT SYSTEM

DESCRIPTION OF FORM	FILING RESPONSIBILITY	RETENTION PERIOD (YEARS)		
		Active	Inactive	Total
Accounts Payable: Supporting documentation: a) Original invoice b) Purchase requisition c) Purchase order	a) Department b) Department/Purchasing c) Department/Purchasing	C + 2 C + 2 C + 2	4 4 4	6 6 6
Journals: 1. Inter-Business Area Transfer - copy 2. Inter-Business Area Transfer - copy	1. Disbursing Department 2. Receiving Department	C + 2 C + 2	4 4	6 6
Journal Entry: 1. Supporting documentation	1. Department	C + 2	4	6
Journal Distribution Detail: 1. Supporting documentation	1. Department	C + 2	4	6
Deposit Slip: 1. Royal Bank 12 060 CA - Part 1 2. Part 3 and supporting documentation	1. Bank 2. Department	- C + 2	- -	- 2
1. Manitoba Expense Claim 2. Supporting documentation	1. Department 2. Department	C + 2 C + 2	4 4	6 6
1. Request to Open/Close/ Change a Bank Account - copy	1. Department	C + 2	-	2
1. Approval to Open or Close a Bank Account - Part 1 2. Part 3	1. Banking Institution 2. Department	- C + 2	- -	- 2
1. Approval to Close a Bank Account (Letter) - Part 1 2. Copy	1. Banking Institution 2. Department	- C + 2	- -	- 2

**MAIN ACCOUNTING DOCUMENTS
CURRENT SYSTEM**

DESCRIPTION OF FORM	FILING RESPONSIBILITY	RETENTION PERIOD (YEARS)		
		Active	Inactive	Total
1. Summary of Outstanding Long Term Accountable Advances (Year-End) - copy	1. Department	C + 2	-	2
1. Employee Confirmation of Accountable Advances (Year-End) - copy	1. Department	C + 2	-	2
1. Departmental Bank Reconciliations (Monthly) - copy	1. Department	C + 2	-	2
1. Departmental Bank Reconciliations (Year-End) - copy	1. Department	C + 2	-	2

**MAIN PAYROLL DOCUMENTS
CURRENT SYSTEM**

DESCRIPTION OF FORM	FILING RESPONSIBILITY	RETENTION PERIOD (YEARS)		
		Active	Inactive	Total
1. Employee Attendance Records 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. New Bank Request Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. Salary Scale Change Request 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. Claims/Arrears Recovery Form 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. Bank Deposit Stop/Change Form 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. Long Term Recovery Request 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6
1. Miscellaneous Deduction Request 2. Supporting documentation	1. Department 2. Department	C+2 C+2	4 4	6 6

**COMPUTER OUTPUT DOCUMENTS
LEGACY SYSTEM**

DESCRIPTION OF FORM	FILING RESPONSIBILITY	RETENTION PERIOD (YEARS)		
		Active	Inactive	Total
Monthly Expenditure Status By Type of Expense A15B52A-2 (original plus all copies)	Department - Year-end copy	C + 6	-	6
Monthly Expenditure Status By Reporting Level A15B52B-6 (original plus all copies)	Department - Year-end copy	C + 6	-	6

This chapter describes the policies, outlines responsibilities, and establishes minimum requirements for the Province's revenue, receipts and receivables transactions.

The Financial Administration Act provides for the accounting and control of all public monies. Specific legislation (e.g., *The Retail Sales Tax Act*, *The Vital Statistics Act*, etc.) and related regulations, as well as certain departmental programs (e.g., office equipment rentals, use of government fleet vehicles) provide for the levying of charges, fees and taxes, for the establishment of any applicable accounts receivable, and for the receipt of other public money.

In addition, the government's gross accounting policy requires the separate reporting of both revenues and expenditures for all programs. Receipts under departmental programs are therefore generally shown as revenue rather than as a reduction to expenditures. It is essential, therefore, that there be uniform policies and procedures which support departmental activities in this area.

The objectives of Revenue/Receipts/Receivables - Management policies are to ensure that:

- internal control systems provide for the claiming, recording, collecting and safeguarding of all public monies to which the Province is entitled;
- all revenue opportunities relating to goods, services or levies are promptly pursued, consistent with policies on user charges and departmental objectives;
- all public monies are properly recorded, adequately safeguarded, and promptly deposited;
- at the time a receivable is identified, it is claimed, promptly recorded as a receivable, and collection action is undertaken;
- all systems and procedures for the receipt and deposit of public monies possess the proper internal controls; and
- periodic reports are provided to management.

Departments are responsible for establishing the specific procedures to be followed and records to be maintained to ensure that all public money is adequately accounted for. Internal control over revenue, receipts, and accounts receivable must ensure that the Province claims, collects, records and safeguards all money to which it is entitled, and prevents or promptly exposes instances of error, fraud or omission.

In addition to the accounting policies contained in Sections [6A-1.2](#) and [6A-1.3](#), the following policies should be considered in the development of departmental systems and procedures:

1. Departments are to establish internal systems for ensuring effective control over the receipt, safeguarding and deposit of public money.
2. Departments are to establish systems for the regular review and updating of their fees and charges.
3. Whenever possible, fees and charges are to be paid for when the service or sale begins. However, when goods and services are not paid for when provided, an invoice or claim should be issued promptly.
4. All amounts claimed by the Province are to be entered in the accounts of the department as a receivable and maintained in the accounts until collected in full or forgiven in accordance with Sections 21, 22 and/or 23 of [The Financial Administration Act](#).
5. All revenue and other public money received by any department is to be deposited promptly to the Consolidated Fund.
6. Dishonoured cheques returned by the bank or financial institution will be sent to the department that deposited the cheque for prompt follow-up and collection.
7. Refunds of receipts to which the Province is not entitled are to be made in accordance with Section 20 of [The Financial Administration Act](#).
8. Departments are to prepare and submit a report of all outstanding accounts receivable as at the fiscal year-end to the Office of the Provincial Comptroller, Treasury Board Secretariat.

Departments are to assess their accounts receivable at the fiscal year-end and for each category of accounts receivable, assess the collectability of each account receivable, and if collectability is doubtful for all or a part of an account receivable, to assess the amount of bad debt allowance required to provide for that amount. Refer to Sections [7E-2.0](#), [7E-3.0](#) and [7E-3.1](#).

9. Departments are to prepare and submit quarterly and fiscal year-end reports as required for Public Accounts and by Treasury Board.

POLICY

The Province of Manitoba accepts the following methods of payment for goods, fees and services provided to clients:

- Cash
- Cheque
- Credit card/debit card
- Electronic Funds Transfer
- On-line banking – Electronic Bill Payment
- Pre-authorized debit

In addition to the traditional methods of payment by cash and cheque, the use of electronic payment options is promoted, recognizing the benefits of providing clients alternative electronic options for making payments, including lower costs, greater efficiency, increased client convenience, and reduced risk. In its operational capacity as the banking manager for the government and its agencies (See [1D-2.0](#)), Manitoba Finance, Treasury Division establishes appropriate banking arrangements or services with financial institutions on behalf of government departments for the implementation of electronic banking services. Departments should consult Risk Management and Banking, Treasury Division, regarding recommended services and appropriate revenue collection methods.

Treasury Division assists departments with the completion of enrolment forms for all banking and card acceptance services, and executes the agreements with the various financial institutions on behalf of departments.

Departments are responsible for notifying clients of the availability of payment options and promoting their use. Departments are likewise responsible for reconciling payments received on a timely basis using online balance and transaction reporting.

The costs associated with the use of credit/debit cards and electronic banking services including Electronic Funds Transfer (EFT), Electronic Bill Payment and Pre-authorized debit (PAD), are deemed to be a cost of collection, and as such are to be charged to the related expenditure appropriation or cost/fund centre within the program area delivering the revenue-generating service. These costs **are not** reductions of revenue.

CASH

Departments that collect cash must maintain records of receipt for all amounts collected. Examples of acceptable forms of documentation include system-generated receipts, cash register receipts, pre-numbered receipt books or tickets. Cash must be kept in a safe or locked container when not in use and **must be deposited at the bank on a timely basis**. The number of employees who have access to cash must be kept to a minimum.

Deposits may be made by departmental staff, by armoured car service, or by courier service. (See [7C-1.2](#))

Change for cash floats can be ordered through the Armoured Car Service Contract. Please contact the Manager, Banking and Credit Analysis, Treasury Division for more information.

Pennies and Rounding

Cash transactions are to be rounded to the nearest five-cent increment in a fair and transparent manner. The rounding guidelines set by the Federal Government for cash transactions are as follows:

Rounding Down	- \$1.01; \$1.02; \$1.06; \$1.07
Rounding Up	- \$1.03; \$1.04; \$1.08; \$1.09

These rounding guidelines apply to cash payments only. Electronic and cheque payments are still charged to the penny. Pennies are still legal tender and may be accepted for payment.

CHEQUES

For over-the-counter payments, customers must provide suitable identification when presenting cheques as the method of payment (e.g., photo identification).

Cheques deposited to the Province's General Account should be made payable to "Province of Manitoba, Minister of Finance". Due to anti-money laundering rules, banks may refuse to accept cheques made payable to a 3rd party. If a department has its own bank account, please contact the Manager, Banking and Credit Analysis, Treasury Division for further information.

Cheques must be endorsed with a stamp that contains the wording, "Province of Manitoba, Minister of Finance", the Department name, the bank account information and the chargeback account number (if different). Please contact the Manager, Banking and Credit Analysis, Treasury Division for further information.

Deposits of paper items may be made by department staff, by armoured car service or by courier service. (See [7C-1.2](#))

CREDIT/DEBIT CARD

The Province of Manitoba accepts Visa and MasterCard credit cards and Interac debit cards. The contracts for card processing and acquiring services are arranged by Manitoba Finance, Treasury Division on behalf of the Minister of Finance for all government merchants.

Departments with a business case to accept credit and/or debit cards must contact Risk Management and Banking, Treasury Division to open a merchant account and make arrangements for the acceptance of credit/debit cards.

Departments are fully responsible for the protection of cardholder data and must ensure that all credit/debit card acceptance processes and systems conform with the Payment Card Industry Data Security Standards (PCI DSS) respecting security and process requirements for the protection of credit card information.

A PCI Steering Committee exists that is responsible for developing policies related to the Manitoba Government's Payment Card Acceptance Program to ensure credit card data security across government and ongoing compliance with PCI DSS. This includes responsibility for overseeing compliance and annual Self-Assessment Questionnaires (See "[Credit and Debit Card Compliance Requirements](#)" below). The PCI Steering Committee is responsible for the dissemination of information and any updates on the PCI DSS standard, recommending appropriate actions for non-compliant merchants and for overseeing and coordinating government response to any actual or suspected PCI related incidents.

For details regarding the standards and merchant responsibilities, please refer to the [PCI DSS website](#).

NOTE: Credit Cards may not be accepted for settlement of outstanding debts or dishonoured cheques (See [7E-1.0](#)).

Point-of-Sale (POS) Terminals for Credit/Debit Card Payments

In order to process credit/debit card payments, government merchants may rent standalone Point-of-Sale terminals offered by the Card Processor, which are ordered through Treasury Division. Terminals must not be integrated with any government system or cash register, since credit card data may not be transmitted, stored or processed through the government network or systems. Terminals must be operated in accordance with their Operating Manuals, and terminals and administration cards must be monitored and stored securely at all times to protect them from theft or tampering.

E-Commerce for Credit Card Payments

Credit card payments may be processed using an e-commerce application where the client initiates the transaction online. The e-commerce application must be approved by Business Transformation and Technology (BTT) and the Information Protection Centre (IPC) to ensure compliance with network security requirements and government policies on card acceptance,

Merchants may never collect, store, process or transmit credit card information using the government network. This includes receiving or sending emails containing credit card data or using government computers to enter or save credit card numbers.

Other Methods of Processing Credit/Debit Card Payments

Other methods of processing credit/debit card payments may be allowed subject to review and approval of the Payment Card Industry (PCI) Steering Committee.

Credit and Debit Card Compliance Requirements

Departments/government merchants must adhere to Manitoba's Credit and Debit Card Policy and review their card handling processes regularly. Annually, as instructed in the Fiscal Year-End FAIC, merchants must submit a Payment Card Merchants Report and perform an annual self-assessment using the Self Assessment Questionnaire to ensure compliance with PCI DSS. The Credit and Debit Card Policy, Payment Card Merchants Report and Self-Assessment Questionnaire can be found on the government's [PCI DSS website](#).

Failure to comply with the above requirements may result in the suspension of the department's merchant account.

For more information, please contact the Manager, Banking and Credit Analysis, Treasury Division.

The PCI Steering Committee must be notified in the event of any actual or suspected credit card data breach, by contacting the Manager, Banking and Credit Analysis, Treasury Division.

ELECTRONIC FUNDS TRANSFER

Government departments may receive payments from clients by EFT, where funds are electronically credited by the payer's financial institution directly into the government bank account. Clients initiate payments through their financial institution, which processes the transaction through the Automated Clearing House (ACH) system, or as a wire payment through the Large Value Transfer System (LVTS).

Government departments may offer this payment method subject to the following conditions:

1. A standard instruction letter must be used containing the full bank account payment information. This letter must be reviewed and approved by Risk Management and Banking, Treasury Division.
2. Departments must have access to Online Balance and Transaction reporting and complete daily reconciliations of incoming payments.
3. In order to provide sufficient information to reconcile incoming payments, the initiator must notify the government department each time they initiate a payment. This may be done via mail, fax or email.
4. Departments must record the payment on a timely basis. (Please see [7C-1.2](#))

ON-LINE BANKING/ELECTRONIC BILL PAYMENT SERVICE

Electronic Bill Payment (EBP) is an online banking service offered by financial institutions which allows clients to pay registered vendors or billers through the internet, by telephone, ABM or over-the-counter, through the client's financial institution.

EBP is appropriate for departments receiving high volumes of recurring payments from a large number of customers, each with a unique identifier or account number. Examples would be agencies receiving regular payments for taxes, renewal of licenses, regular fees, etc.

Departments require a business case to enroll for this service, and must consult Treasury Division to be registered as a Vendor or Biller for EBP with the participating financial institutions.

PRE-AUTHORIZED DEBIT

PAD allows the department to automatically withdraw funds from a client's designated bank account to pay for government products/services, in accordance with the PAD Agreement signed by the client. The PAD Agreement must be in the form prescribed under Rule H1 of the Canadian Payments Association and must be reviewed and approved by Risk Management and Banking, Treasury Division.

This payment method is most suitable for departments receiving recurring payments from clients.

Treasury Division can be contacted for assistance in determining the suitability of this payment option, and is responsible for making arrangements with the financial institution to implement this service.

Government departments are responsible for notifying clients of the availability of this payment option, and ensuring clients have signed a PAD Agreement.

POLICY

The Province of Manitoba endorses/supports two accounts receivable/revenue management systems - the SAP Enterprise Resource system and the Microsoft Dynamics Retail Management system.

Development of any new departmental systems must be in accordance with the policies on departmental financial systems as outlined in Section [6E-1.0](#).

Recognizing the need to alleviate client inconvenience and maintain confidentiality, all future receivable and revenue systems development will require functionality that will allow departments to collect money on behalf of other revenue areas and which allow other areas to record the collection of money on their behalf.

POLICY

The following policies are applicable to e-commerce transactions:

- Departments will, to the extent practicable, develop or enhance applications to enable e-commerce transacting for the citizens of Manitoba.
- Departmental applications must use the web-enabled payment processing systems established by Digital and Technology Services (DTS). If these systems are unable to meet the department's requirements, approval must be obtained from DTS for an alternate web-enabled payment processing system.
- Departments must ensure that acceptance of all credit/debit cards conform with the Payment Card Industry Data Security Standards (PCI DSS) respecting security and process requirements for the protection of credit card information. For details regarding the standards, please refer to the [PCI DSS website](#).
- Departmental applications must not include electronic storage and retention of credit card information. It is recognized that documents containing card data will have to be securely maintained until reconciliations are complete.
- A standard protocol has been developed for the deposit, posting and reconciliation of e-commerce transactions which allow for credit card payment. Where a department develops and receives approval for an alternate e-commerce collection process, it is responsible for documenting all processes regarding deposit posting and reconciliation of transactions and receiving approval of these processes by the Office of the Provincial Comptroller, Treasury Board Secretariat.
- All departmental websites and layouts must be approved by and be in accordance with such standards as are established by [Communication & Engagement Division](#) (CED).

Internal control over revenue and accounts receivable must ensure that the Province promptly claims, collects, records, and safeguards all money to which it is entitled to and prevents or promptly exposes instances of error, fraud, and omission.

Each department is responsible for determining its specific needs to ensure that all public monies are properly accounted for, for establishing policies and procedures to meet these needs, and for implementing, communicating and enforcing those policies and procedures. The departmental Executive Financial Officer (EFO) is responsible for ensuring that systems, methods, and procedures for control over revenue and accounts receivable are developed and updated with the same diligence as for expenditures.

Some of the key elements of control include:

- cheques should be for the amount due;
- third party cheques should not be accepted;
- a receipt should be issued for each transaction;
- adequate security should be provided until public monies are deposited.

One of the most important elements of control over public money is the segregation of duties among employees. The basic objective is to establish a complete separation between authorization, custody, record keeping, and control functions. Depending on the organizational structure, availability of staff, materiality of amounts, alternate controls and other particular conditions, departments should arrange for such segregation or, at the very minimum, a judicious allocation of duties.

Upon receipt of currency, and whenever the remitter requests it, any person accepting public money must issue a receipt or other form containing an acknowledgement of receipt. When convenient, the acknowledgement of receipt should be embodied in operational documents (e.g., provincial park permits). Receipt forms should be serially pre-numbered, and strict control must be kept over these forms. Cash registers or other such devices can also provide good control over receipts.

Departments are responsible for determining appropriate policies for the safekeeping of public money, for communicating those policies to all employees handling cash, and for ensuring that employees exercise those safeguards. Policies and systems should be designed and implemented to ensure:

- that only one employee has access to the cash;
- the timely deposit of cash receipts;
- that cash held during and after working hours is properly safeguarded against theft and other hazards.

POLICY

In those instances where departments identify a cash shortage, it is government policy that, unless it is the result of extenuating circumstances (as defined by the departmental Executive Financial Officer), such shortages are normally the responsibility of the employee.

When shortages in excess of twenty-five dollars (\$25.00) occur as a result of extenuating circumstances, and it is determined that it is not desirable or appropriate to assign responsibility to the employee, the incident must be signed-off by the Executive Financial Officer (EFO), and the shortage would then be made up from the related appropriation or cost/fund centre. The incident is to be discussed with the employee involved, and a note detailing the incident is to be placed on file. When such instances occur regularly, or a pattern of occurrence appears, they will need to be addressed appropriately by the EFO.

All cash shortages resulting from theft, suspected theft or other dishonest act, regardless of the amount, are to be reported to the Department of Finance, Insurance and Risk Management Branch. All such shortages in excess of ten thousand dollars (\$10,000.00) are to be reported immediately by telephone/e-mail/fax.

In those instances where departments identify a cash overage, it is government policy that all funds collected, including the overage, be remitted and deposited to Sundry Revenue.

All cash shortages exceeding one hundred dollars (\$100.00) are to be reported in writing to the Director, Risk Management and Banking, Department of Finance, Treasury Division. The cause and nature of the loss must be included in the report.

Services provided to the public fall into two categories:

- those that are designed to satisfy the general social needs of the public and the public good (e.g., health care, education and income assistance); and
- those which are provided in the public interest but which are of benefit to a specific segment of the public (e.g., consumer protection, conservation and tourism).

Those services that respond to the general social needs of the public generally respond to the needs of the public at large, and since everyone benefits, it is considered equitable that the costs of such services are borne through general taxation, such as income taxes and sales taxes.

Those services that are provided in the public interest are rendered by the Province to individuals or groups of individuals, either at their request or arising from their actions. In such cases, it is usually considered appropriate to levy a fee for the purposes of full or partial cost recovery. Such fees can include:

- licenses (specific trades; use of provincial parks, fishing and hunting permits)
- publications (statutory; departmental material)
- services rendered (leasing of Crown properties)

The policies and guidelines for the establishment of fees and licenses are generally determined by the Minister responsible for the specific legislation or program.

There are also fees resulting from specific actions, such as fines and levies, which may be established either through legislation or specified by the court system or other such jurisdiction.

Departments should ensure that systems are established for the regular review and updating of all fees and charges under their responsibility.



GENERAL

Revenue standard PS 3400 was issued by the Public Sector Accounting Standards Board and came into effect for fiscal periods beginning on or after April 1, 2023. The standard is being adopted prospectively and does not require a restatement on prior period.

This section establishes standards and policies for how to recognize, record and measure revenues earned by the Province. The section establishes which revenue streams are in the scope of the standard and which revenue streams are out of scope. The section identifies how to measure revenues based on the nature of any performance obligations that the Province may have to the payor.

All departments and other reporting entities are required to comply with the standard and are subject to audit by the entities' auditors and the Office of the Auditor General in accordance with the standard.

Revenues out of scope:

The revenue streams below, are revenues not in scope and should be recognized and measured based on the applicable standard. All other revenues are considered in scope.

- contributions that are voluntary and non-reciprocal in nature
- government transfers (PS 3410)
- tax revenue (PS 3510)
- restricted assets and revenues (PS 3100)
- financial instruments (3450)
- restructuring transactions (PS 3430)
- government partnerships (PS 3060)
- investments in government business enterprises (PS 3070)

PROCEDURE

Revenues can arise from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions). Departments will follow the steps below to recognize, record and measure revenues based on the type of transaction.

1. Evaluate the composition and characteristics of the transactions.

The standard introduces the concepts of revenue arising from transactions that include performance obligations (exchange transactions) and transactions that do not have performance obligations (non-exchange transactions) and how to account for and report on each.

A **performance obligation** is an enforceable promise to a payor to provide specific goods or services. Performance obligations can arise from negotiated contracts, or from goods or services that are subject to the payor's acceptance of the standard terms.

2. Determine if the transaction has a performance obligation.

Transactions with performance obligations include goods purchased or produced for resale, the use of intangible assets or services provided. Examples include:

- tuition fees
- charges and fees for use of public property



- transit fares
- fees from licenses and permits (e.g. building permits, permits to extract natural resources)
- community hall rentals
- patient revenues from a hospital
- sale of goods (e.g. textbooks, garbage bins)

Exchange transactions are transactions with performance obligations. When performance obligations are satisfied (the payor obtains control of the asset or benefits from the service provided) revenue can be recognized.

Non-exchange transactions are transactions or events where there is no direct transfer of goods or services to a payor. The department may receive an increase in economic resources for which the payor does not receive any goods or services in return.

3. Identify the distinct goods and services in the transaction.
4. Determine the transaction price.

The **transaction price** is the amount of consideration to which a public sector entity expects to be entitled in exchange for transferring goods or services to a payor.

When determining the transaction price, the department will need to consider the effects of:

- Variable consideration, including adjustment for refund liability to a payor
- Existence of significant concessionary terms
- Non-cash consideration (measured at fair value of the goods or services received, adjusted by the amount of cash or cash equivalents transferred)

Departments must only recognize revenue as the portion of the transaction price allocated to the performance obligation that has been satisfied.

5. Recognize, record and measure revenues based on the type of transaction.
6. The department must disclose the following in financial statements:
 - disaggregated revenues reported on the statement of operations by source and type, with separate disclosure of revenues that are not related to recurring activities;
 - typical performance obligations and the methods and policies that apply when recognizing revenues; and
 - the nature and amount of continuing performance obligations grouped by category of similar transactions.

Departments must also disclose amounts for any transactions where they have the information necessary to record the transaction but does not expect to collect payments, for example bad debt expense. For any transactions that include significant concessionary terms where all or part of the transaction is concessionary in nature, the department must disclose the original amount of the transaction prices, if applicable.

See decision tree at the end of this policy section.

POLICY

The following policies describe how to recognize, record and measure revenues based on the type of transaction.

Transactions with Performance Obligations Satisfied Over Time

Transactions with performance obligations satisfied over time are transactions where the department transfers the control of the benefits associated to the good or service to the payor over a period of time.

Indicators that the department may be satisfying performance obligations over time are when:

- a. *the payor simultaneously receives and consumes the benefits provided by the public sector entity's performance as the public sector entity fulfils the performance obligation;*
- b. *the public sector entity's performance creates or enhances an asset (for example, work in progress) that the payor controls or uses as the asset is created or enhanced;*
- c. *the public sector entity's performance does not create an asset with an alternative use to the public sector entity and the public sector entity has an enforceable right to payment for performance completed to date;*
- d. *the public sector entity is expected to continually maintain or support the transferred good or service under the terms of the arrangement; or*
- e. *the public sector entity provides the payor with access to a specific good or service under the terms of the arrangement.*

Revenue is recognized over the period in which the distinct goods and services (performance obligations) are transferred to the payor. Revenue is recognized **as** the performance obligation is being satisfied.

This means that departments must only recognize revenue as the portion of the transaction price allocated to the performance obligation that has been satisfied. The remaining portion that has not yet been satisfied, must be recognized as unearned revenue until the performance obligation has been completed by the department.

Departments may choose to recognize the revenue when it is invoiced and then make adjusting entries at year end. For example, if a department invoices revenue in January for which a performance obligation is satisfied over 12 months from January to December, the department may recognize the revenue in full up front and then record an adjusting unearned revenue entry at year end. Similarly, if a department invoices revenue in April for which a performance obligation is satisfied over 12 months from April to March, the department may recognize the revenue in full up front and at year end no adjustment will be required because the performance obligation will have been satisfied during the fiscal year.

Transactions with Performance Obligations Satisfied at a Point in Time

Transactions with performance obligations satisfied at a point in time are transactions where the department transfers the control of the benefits associated to the good or service to the payor at the time of the transaction.

Departments must recognize revenue immediately when they have satisfied the performance obligation. If the performance obligation has not yet been satisfied at the time of collection, the department must recognize revenue as unearned revenues.

Transactions with No Performance Obligations

Transactions with no performance obligations are transactions where a department receives consideration from the payor without the payor receiving any goods or services in exchange for the consideration. These type of transactions are known as “non-exchange transactions”.

Revenue from involuntary non-exchange transactions should be recognized when the Province has the authority to claim or retain revenues and when the Province identifies a past transaction or event that gives rise to an asset. A department is able to recognize revenues from these transactions since it is acting under its authority. Legislations, regulations and/or bylaws must also be in place for the department to have the authority to recognize such revenues.

Departments must measure revenues from transactions with no performance obligation at their realizable value which will be the future economic benefit that the department expects to obtain.

Principal vs Agent

The concept of principal versus agent must be examined for transactions where a third party is involved with arranging for the provision of goods or services to a payor.

The department is acting as a principal when it has control of the goods or services prior to satisfying the performance obligation to the payor. Indicators that describe the department acting as a principle include:

- has the primary responsibility for the provision of the goods or services to a payor;
- has inventory risk before or after a payor order, during shipping or on return;
- has discretion in setting the amount charged, either directly or indirectly, of the goods or services;
- has discretion and authority to decide how to use the resources; and
- is exposed to credit risk for the amount receivable from a payor.

If the department is acting as a principal in the transaction then revenue must be measured on a gross basis. The full amount of consideration received from the payor is recognized as revenue.

The department is acting as an agent when the department is only arranging for the provision of goods or services to a payor on behalf of another party. The department must assess whether there may or may not be a fee or commission to measure and recognize the net of the revenue collected and the revenue passed on.

Multiple Performance Obligations

Transactions with multiple performance obligations are transactions where there is more than one performance obligation identified in a single transaction price. Departments should consider the following when assessing whether a good or service should be recognized as being distinct:

- The payor can benefit from the good or service either on its own or together with other resources that are readily available to the payor (i.e., the good or service is capable of being distinct); and
- the public sector entity's promise to provide the good or service to the payor is separately identifiable from other promises in the transaction (i.e., the promise to transfer the good or service is distinct in the context of the transaction).

Departments must assess the goods or services it has promised to provide and determine whether the good or service or which bundles of goods or services are distinct, and which should be accounted for separately. Each distinct good or service will have a performance obligation that must be accounted for separately. A good or service may not be distinct when it is highly interrelated to another good or service. In this case, departments must combine that good or service with other goods or services until the department is able to identify a bundle of goods or services that would be distinct.

Departments must measure revenues from multiple performance obligations based on the stand-alone selling price of each performance obligation. The stand-alone selling price is the price charged for the goods or services when the department sells those goods or services in similar circumstances.

If departments cannot determine the stand-alone selling price, departments must estimate it to derive an amount that would be representative of the price at which the department would sell the goods or services if it were sold separately to a payor. There are several estimation methods for determining the stand-alone selling price, including:

- expected cost — a public sector entity forecasts its expected costs of satisfying the performance obligation and, if applicable, adds an appropriate margin;
- residual approach — when the stand-alone selling price is highly variable or uncertain, then the estimated stand-alone selling price is based on the total consideration less the sum of observable stand-alone selling prices; or
- adjusted market assessment — a public sector entity evaluates the market in which it sells goods or services and estimates the price that a payor would be willing to pay.

Departments are required to use professional judgement to apply a method for determining the stand-alone selling price that closely resembles the economic substance of that good or service.

Variable Consideration

Consideration can be variable in nature where the amount of revenues earned will be uncertain until a future event occurs. Variable consideration can result from discounts offered, rebates, incentive programs or price concessions, royalties, or uncertainty of the occurrence or non-occurrence of a future event. Departments must assess whether transactions give rise to variable consideration and only recognize revenues from transactions with variable consideration when a reasonable estimate of that consideration can be made.

Departments must apply section 66 from the standard when measuring the estimates of variable considerations:

- expected value method — the sum of probability-weighted amounts in a range of possible consideration amounts. This method is often appropriate if a public sector entity has a large number of contracts with similar characteristics; or
- most likely amount— the single most likely amount in a range of possible amounts.

Departments must select one of the methods above and apply it consistently throughout the term of the agreement with the payor.

Non-cash Consideration

Non-cash consideration occurs when the department receives non-monetary items such as materials, equipment, and/or labour in exchange for a good or service. In transactions that include non-cash



consideration, the department must measure the transaction price of the good or service as the fair value of the good or service received adjusted by any amount of cash or cash equivalents transferred.

Hybrid Transactions

Hybrid transactions are transactions that have components of both transactions with performance obligations and those with no performance obligation. Departments must recognize the components of a single transaction separately for the components that combine:

- an element with performance obligations;
- an element with no performance obligation (ex. fine or penalty); and/or
- another form of revenue such as a contribution, a government transfer or tax revenue.

When a component of the transaction is in accordance with another standard within the Public Sector Accounting Standards, then the department will measure that component according to the corresponding standard.

Significant Concessionary Terms

Transactions with significant concessionary terms are where the payor receives advantageous terms and conditions that another payor does not receive for a similar type of transaction. The department must assess the nature and substance of the transaction to recognize whether there are significant concessionary terms at the date of inception. This is not a common occurrence in public sectors.

Measurement of the transaction price should reflect the best estimate based on the terms of the transaction at the date of reporting. Professional judgement is required to determine the appropriate measurement technique that results in the best estimate of the transaction price.

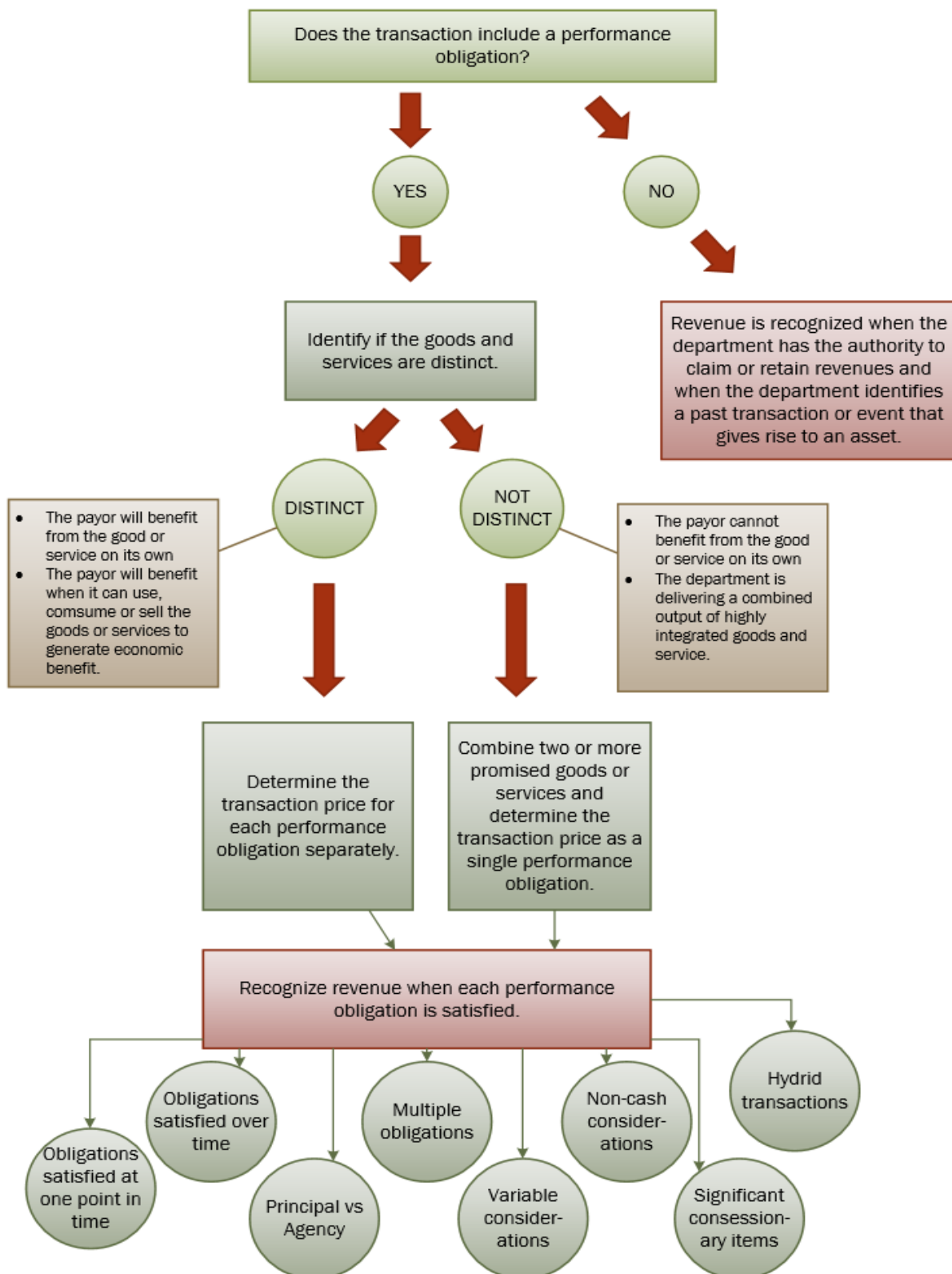
Examples

TRANSACTION TYPE	EXAMPLE
Performance obligations satisfied over time	Park vehicle entry permit Asset construction contract Cottage lot rentals
Performance obligations satisfied at one point in time	Hunting license Providing services for a third party
Transactions with no performance obligations	Speeding ticket Drivers licensing provided by third party
Principal vs agent transactions	Online sale of parking permits
Transactions with multiple performance obligations	Sale of asset with servicing
Variable consideration	Advertising Royalties

Non-cash consideration	Services in exchange for equipment
Hybrid transactions	Admission fee including donation
Significant concessionary terms	N/A

Training Module available at [TBS SharePoint site](#).

Recognizing Revenue Decision Tree



GENERAL

Revenue is to be recognized as early as possible, such as when goods or services are provided or when the underlying transaction giving rise to the claim takes place (7C-1.0). Revenue and receipts are to be collected at the point of sale whenever possible, thus eliminating collection costs. Where this is not possible (e.g., revenue under Cost Sharing Agreements and revenue under Cost Recovery Arrangements) the revenue should be claimed as early as possible.

It is recognized that revenue and receipts are collected under many different conditions and circumstances, and that there are many different revenue collection systems in use throughout government (e.g., central financial and accounting system (SAP), "off-line" accounting systems, etc.). As a consequence, the action to be taken to establish the Province's claim to revenues will vary considerably from program to program. However, adequate controls must be exercised to ensure that:

- departmental operational records are effectively integrated with the department's accounting records, and all amounts claimed are entered promptly,
- the General Ledger accounts receivable control account and corresponding departmental revenue account(s) are updated on a monthly basis,
- departmental policies are established for the granting and control of credit,
- all amounts due under federal-provincial agreements are claimed promptly and adjustments made as a result of different interpretation,
- all amounts owed under *The Goods and Services Tax Act* are collected, and remitted to the Government of Canada,
- invoices and credit notes are prepared and authorized in a consistent manner, and
- audit trails are provided where necessary for financial control.

Revenues in scope:

The revenue streams below, are revenues in scope and should be recognized and measured based on the applicable standard. All other revenues are considered out of scope.

- contributions that are voluntary and non-reciprocal in nature
- government transfers (PS 3410)
- tax revenue (PS 3510)
- restricted assets and revenues (PS 3100)
- financial instruments (3450)
- restructuring transactions (PS 3430)
- government partnerships (PS 3060)
- investments in government business enterprises (PS 3070)

POLICY

1. Revenue is to be recorded on an accrual basis, and departments should keep track of revenue generated from each revenue stream separately.
2. When goods or services are not paid for when provided, an invoice or other form of billing must be issued as soon as possible following the point in time that the debtor's obligation is established (See Section 7C-1.1).
3. If cash is not received at the point of revenue recognition, an account receivable is to be established (See Section 7E).
4. All cash sales are to be deposited to revenue provided there no account receivable has already been established.
5. Deposit receipts must be recorded in the central financial and accounting system the same day the deposit occurs to ensure timely recognition of the funds received and to prevent unnecessary interest charges.
6. On a monthly basis, departments should reconcile the balance in their accounts receivable records to the accounts receivable control account balance in the central financial and accounting system. As a result of doing this, departmental revenue and accounts receivable balances, as reflected in the central financial and accounting system, should be up-to-date on a current basis.
7. Departments are required to provide a report of their outstanding accounts receivable at each quarter of the fiscal year (excluding those related to Federal Shared Cost Programs, Goods and Services Tax, Retail Sales Tax and inter-departmental receivables), as well as a separate aged report on inter-departmental receivables, with totals for each category (See Section 7E).
8. Departments must, on a quarterly basis, make an assessment of the collectability of each account receivable outstanding, and if collectability is doubtful for all or a portion of an account receivable, must assess the amount of a bad debt allowance required to provide for the uncollectible amounts. This bad debt allowance is not to include the Provincial Sales Tax (PST) or the Goods and Services Tax (GST) portion of the account receivable - only the principal amount (See Section 7E).

POLICY

When goods or services are not paid for when provided, an invoice or other form of billing must be issued as soon as possible following the point in time that the debtor's obligation is established. To the extent possible, all billings should be effected by means of pre-printed and pre-numbered invoices maintained under appropriate distribution control.

PROCEDURES

As a minimum, the invoice should include the following information:

- the person or organization to whom the goods or services are chargeable;
- adequate identification of the goods and/or services provided;
- the basis of the charge, and the calculated amount;
- all applicable taxes (must be displayed separately);
- the Province's Good and Services Tax (GST) registration number (for details, please see Section [8B-2.8](#));
- the following terms upon which payment is to be made:

**"All accounts due and payable 30 days from the date of invoice.
A daily interest charge equivalent to 2% above the prime rate
per annum (as reviewed and amended semi-annually on January 1st
and July 1st) will be applied commencing the 1st day past due."**

- instructions that payment be made to the Minister of Finance at a specific address.;
- date of invoice;
- invoice number or other means of identifying the payment when received.

POLICY

The Financial Administration Act states:

"15 *There shall be one Consolidated Fund into which all public money shall be deposited."*

The Act also states:

"18 *The Minister of Finance may open, maintain or close accounts on behalf of the government with a bank, trust company, credit union or other financial institution that he or she designates on the terms and conditions that he or she considers appropriate."*

Deposits may be made in one of the following ways:

- by deposit to the credit of the Province of Manitoba - General Account at either the Main Branch of the Royal Bank of Canada (220 Portage Avenue, Winnipeg, MB), or the nearest Royal Bank of Canada branch for inter-branch transfer to the General Account. The use of inter-branch banking services must be arranged through the Manager of Banking Operations, Department of Finance, Treasury Division.
- by deposit to a departmental bank account at a financial institution other than the Royal Bank of Canada for subsequent transfer to the Province's General Account at the Royal Bank using their NDDS transfer service (arranged through the Manager, Banking and Credit Analysis, Department of Finance, Treasury Division). Procedures regarding the opening of such departmental bank accounts follow below.

The deposit process consists of two separate transactions:

- the preparation and processing of a bank deposit slip; and
- the posting of the related accounting transaction in the central financial and accounting system.

- NOTE:**
1. The Risk Management and Banking Branch, Department of Finance, Treasury Division, must be notified whenever a daily deposit exceeds one hundred thousand dollars (\$100,000), in order that the deposit may be used in that day's cash management calculations. If such a deposit is made in the morning, departments must notify the Treasury Division of the deposit before noon of that day. This notification should be made by email to cashmanagement@manitoba.ca.
 2. When depositing U.S. currency to a Canadian currency bank account (cheques, cash, bank drafts, etc.), departments must convert the currency to Canadian equivalency based on the exchange rate in effect on the day of the deposit. Departments are advised to contact Treasury Division with questions in this regard.

PROCEDURES

1. All deposits are to be made on a Province of Manitoba - General Account Deposit Slip, unless special arrangements have been made with Treasury Division. Deposit slips may be obtained from the Manager, Banking and Credit Analysis, 350 – 363 Broadway. The order takes approximately 10 business days; therefore the order should be placed well in advance of stocks being depleted. Departments **are not** to use a regular Royal Bank of Canada deposit slip, as the Province of Manitoba deposit slips are micro-encoded with department-specific information that is integral to the recording of the deposit.
2. Deposits are to be made on a timely basis (daily, if possible) and delivered to the financial institution either directly by departmental staff, by armoured car service or by courier service.

Daily armoured car contracts have been arranged at various government office locations throughout the City of Winnipeg, and sealed deposits may be left at these locations for forwarding to the financial institution with prior approval of the pickup location. Deposits may be left at the location(s) prior to the contracted pickup time, as no deposits will be accepted after the daily pickup. For the nearest pickup location, please contact the Risk Management and Banking Branch, Department of Finance, Treasury Division.

NOTE: Departments requiring the use of armoured car messenger service contracts are to submit a request to the Manager, Banking and Credit Analysis, Department of Finance, Treasury Division, 350 – 363 Broadway.

When using courier services, departments must ensure that the courier company has adequate insurance coverage for the amount(s) being deposited.

3. Whenever possible, departments should ensure that the bank deposit and the corresponding accounting entry into the central financial and accounting system are done on the same day. Where this is not possible, departments should ensure that they enter the date of the deposit in the text field.
4. Deposits to the bank should be debited to General Ledger (G/L) Account 1010052 (Royal Bank General - DINC). The allocation field must indicate the micro encoding number of the deposit slip (found on the bottom left hand corner of the deposit slip).
5. For details on processing bank deposits, please refer to the SAP, "[Program Accounting](#)", or "[Accounts Receivable](#)" Training Manual.

REQUEST TO OPEN A DEPARTMENTAL DEPOSIT BANK ACCOUNT

While departments are required through [The Financial Administration Act](#) to deposit all monies to the Consolidated Fund either at the Main Office or nearest branch of the Royal Bank of Canada, there may be circumstances which require the opening of a deposit bank account with another financial institution. In such instances, departments must forward a request to the Department of Finance, Treasury Division, providing the following information:

- department name and address;
- date of request;
- type of funds to be deposited;
- estimate of the average weekly cash receipts;

- desired method by which the funds will be transferred to the Province's General Account at the Royal Bank of Canada
- the reason for the choice of financial institution and branch;
- the suggested title for the account (should be in the name of the Province of Manitoba, Department of _____), and the specific account description;
- the name and address of the branch in which the account will be carried;
- the departmental address to which bank statements, etc., are to be forwarded, and the desired frequency of statements;
- the name(s) of the person(s) authorized to sign any cheques or payment documents relating to the account, if applicable

NOTE: Good internal control requires two signatures.

- the wording that will be used to endorse cheques for deposit to the account. This wording must include "Province of Manitoba, Minister of Finance", and the remaining details to properly identify the account to which the cheque is to be deposited;
- completed specimen signature cards;
- the desired arrangement for handling chargebacks; and
- other information concerning any special services required (e.g., night depository)

The above request must be authorized by the departmental Senior Financial Officer (SFO) and forwarded to:

Manager, Banking and Credit Analysis
Treasury Division
Department of Finance
350 – 363 Broadway
Winnipeg, MB R3C 3N9
BankingServices@manitoba.ca

Upon approval, the Treasury Division will forward authorization to the financial institution. The requesting department will receive a copy of the financial institution's acknowledgement, at which time the department will be required to provide any necessary documentation to the financial institution, such as specimen signature cards.

This subject is concerned with the claiming and collecting of the revenue earned as a result of cost sharing agreements.

Claims issued as a result of cost sharing agreements or arrangements with the Federal or other governments are to be considered an account receivable for accounting purposes. Outstanding claims should be followed up for collection if not cleared in a reasonable time.

The department responsible for a particular agreement is also responsible for preparing:

- the claims as appropriate and submitting them as promptly as possible for payment. A notice of shared costs claim (see Section [7C Appendix A](#)) must be prepared and distributed to the Department of Finance and the Auditor General. Where the original claim submitted by the department is amended, resulting in a difference unfavourable to the Province, the accounts receivable records are to be adjusted accordingly.
- a fiscal year end report on the Shared Cost Revenue from Canada. This report is to be submitted by the date specified in the [current fiscal year-end instructions](#) and using the prescribed form that accompanies the instructions.

POLICY

In the course of conducting its business, the Province accepts, as a convenience to the general public, cheques and credit cards in lieu of cash in payment of monies owing. Occasionally, a payment is dishonoured by the financial institution on which it was drawn. In order to discourage the presentation of payments which may later be dishonoured by the financial institution, and to recover some of the administrative costs associated with processing these dishonoured items, the Province imposes a standard returned item fee.

This policy is applicable to all government departments, and exemptions and variations will only be considered in special cases (e.g., where it contravenes a department's enacted legislation and/or regulations). Departments requesting an exemption and/or variation from this policy are to forward a memorandum in this regard to:

Provincial Comptroller
Treasury Board Secretariat
publicaccounts@gov.mb.ca

RETURNED ITEM (NSF) FEE

The Province currently imposes a standard returned item fee of twenty dollars (\$20.00). This fee is established by the Director of Risk Management and Banking, Treasury Division, Department of Finance, and is reviewed on an annual basis and amended as necessary.

Departments are required to communicate this policy to the public through prominent signage and/or documentation.

A returned item fee should be imposed in all instances **except** the following:

- where the payor is deceased
- where a departmental error in processing has occurred (e.g., incomplete or inaccurate information on cheque; post-dated/stale dated cheque; body and figures don't match, missing endorsement, etc.)

Returned item fees apply to cheques and electronic payments.

Departments that implement the Pre-Authorized Debit (PAD) payment option must disclose the returned item fee in the PAD agreement that the client signs. An example of the disclosure may be:

"I/We acknowledge that the Minister of Finance may charge a dishonoured payment fee for each returned PAD for any reason, such as, but not limited to, "NSF", "Stop payment", or "account closed/frozen"."

When a PAD dishonours, the PAD must be represented for the original amount as required under the Canadian Payments Association Rules H1. The \$20.00 fee must be added to a subsequent payment.

PROCEDURES

Central Finance, Bank Reconciliation will forward the dishonoured item and a memorandum to the originating department. The originating department is to promptly commence follow-up and collection actions. All persons who have had their cheque(s) dishonoured are to be immediately notified by the department involved. In instances where an individual or company has had more than one returned



item on their account, departments are to request an alternative method of payment (e.g., certified cheque, cash, money order, credit/debit card).

NOTE: In view of the many circumstances that occur throughout the government, discretion should be used as to how long this alternative payment method should continue.

Where a credit card has been used, the credit card returned item slip will be returned directly to the department involved for follow-up.

The amount owing becomes the original amount (dishonoured item) **plus** the returned item fee. Both the original amount and the returned item fee are to be recorded as an account receivable in the departmental sub-ledger.

ACCOUNTING REQUIREMENTS

1. When an item (cheque) is returned, the financial institution will set up a debit charge in a separate account (Chargeback Account). The Central Finance, Bank Reconciliation Officer will prepare a memorandum regarding the returned item and forward it to the department involved.
2. Departmental revenue **will not** be reduced by the amount of the returned item, rather, an accounts receivable will be established, with the offsetting entry to the Returned Items Not Cleared (RINC) General Ledger (G/L) Account (1010250), to balance to the charge in the Province's bank (chargeback) account. Only the principal amount of the returned item (cheque) will be posted to the account receivable in the central financial and accounting system.

This entry will be performed by Central Finance once they are notified of which accounts receivable account to apply it to. Special Operating Agencies (SOA's) will have their Trust Liability Account charged in this regard.

3. Upon notification of the returned item, departments must set up an account receivable for the returned item fee.
4. Departments must manage their own detailed accounts receivable sub-ledgers, which should be consistent with accounts receivable balances within the central financial and accounting system.
5. It is a departmental responsibility to undertake an appropriate collection effort to recover both the returned item fee as well as the original amount. When the returned item is collected, departments will make the following entry in the central financial and accounting system:

Debit >	Deposited Items Not Cleared (DINC) Account (1010052)	(returned item)
Credit >	Accounts Receivable Account (1023090 - 1023095)	

6. Departments are to make a deposit using only one deposit slip (000-001-08 Account).
7. Central Finance will maintain and monitor the RINC Account. At month-end, Central Finance will perform a G/L entry which will clear out the RINC Account.
8. Also at month-end, departments will update their detailed accounts receivable sub-ledger to reflect the collection of the returned items and balance to the central financial and accounting system accounts.

UNCOLLECTIBLE ITEMS

If, after appropriate efforts have been expended, an item is deemed to be uncollectible, departments are to write-off the account receivable either by applying it to their bad debt allowance (See Section [7E-2.0](#)), or if insufficient funds are available in the bad debt allowance, by expensing it against their appropriation (cost/fund centre). In such cases, normal procedures for the write-off of accounts are to be followed (See Section [7E-3.5](#)).

Revenue which should be identified and recorded as capital revenue is derived from two main sources:

- Shared-Cost Receipts (See Section [7C-1.3](#))
- Revenues generated through the disposal of physical assets, which initially would have been a capital expenditure by definition, are to be considered capital revenue. Examples are revenues generated through:
 - a) Sale of public/crown land
 - b) Disposal/sale of vehicles and equipment
 - c) Sale of buildings

Such revenues must be coded to the appropriate General Ledger (G/L) account in the central financial and accounting system.

POLICY

During the course of business, government departments and agencies collect Provincial Sales Tax (PST) on certain goods and services provided by the Province. The current rate of PST to be collected is eight percent (8%). The amount of PST collected must be remitted to the Taxation Division, Manitoba Finance on a regular basis.

The central financial and accounting system has established a "PST Payable" account into which all collections of PST are to be credited. On a monthly basis, Office of the Provincial Comptroller, Treasury Board Secretariat will clear this PST Payable account and forward the amount to the Taxation Division.

PROCEDURES

1. Tax codes have been established in the central financial and accounting system to assist with the calculation of PST. When revenue is collected and the deposit is made, departments may choose to perform a manual tax calculation or have the system calculate the tax amounts based on the tax code selected. Please refer to the SAP, "Program Accounting" Training Manual, [Chapter 2 - "Processing & Posting General Ledger Documents"](#), for details in this regard.
2. When calculating tax manually, departments are to ensure that the PST collected is credited to the PST Payable account. This will be done automatically by the system when the appropriate tax code is selected.
3. On a monthly basis, Office of the Provincial Comptroller, Treasury Board Secretariat will clear the PST Payable account and forward the amount to the Taxation Division, Manitoba Finance, along with all applicable statements.

POLICY

Under the terms and conditions set out in [The Excise Tax Act](#) and a [Reciprocal Tax Agreement](#) with the Government of Canada, certain goods and services provided by the Province are subject to the Goods and Services Tax (GST). The Province is responsible for the collection and remittance of the GST for those goods and services deemed taxable by the Canada Revenue Agency (CRA) - Excise Tax.

Departments are responsible for determining if the various goods and services they provide to the public are subject to the GST. This is accomplished by providing a detailed description of the goods or service to:

GST Technical Services
Canada Revenue Agency
325 Broadway
Winnipeg, MB R3R 4T4
204-983-1585 or 204-983-7520
FAX 204-984-7002

The CRA will then provide departments with an interpretation ruling in this regard. Copies of both the inquiry and the subsequent interpretation ruling from the CRA should be provided to Manitoba Finance:

Taxation, Economic and Intergovernmental
Finance Research Division
715 – 401 York Avenue
Winnipeg, MB

Office of the Provincial Comptroller
Treasury Board Secretariat
200 - 386 Broadway
Winnipeg, MB

APPLICATION

The Goods and Services Tax (GST) should be applied to all items deemed taxable by the CRA - Excise Tax.

The GST will be applied as an explicit charge on the basic revenue fee, and is to be charged alongside the Manitoba Retail Sales Tax. In a few exceptional cases, (vending machines, parking meters, etc.) the GST will not be applied as an explicit charge, but rather incorporated into the overall charge. Departments must ensure that the GST is charged to all clients except those exempt agencies identified in the Reciprocal Taxation Agreement with the Government of Canada. In addition, the GST should be charged to the following:

- Federal Government departments and agencies
- Individual businesses
- Municipalities, including Local Government Districts (LGD's), towns and unorganized territories
- Universities and schools
- Hospitals and personal care homes

VENDORS OTHER THAN GOVERNMENT

In certain situations, vendors other than the Government of Manitoba make the final actual sale to the consumer (e.g., fishing and hunting licenses). These vendors are responsible for charging the consumer the GST, while the Province is responsible for remitting the tax collected to the Government of Canada when received from the vendors. Departments must ensure that these vendors are advised of their responsibility in this regard.

In addition, some of the agreements/arrangements made with the above mentioned vendors may be subject to GST, and must be collected.

EMPLOYEE PURCHASES

Certain services that employees purchase from the Manitoba Government are subject to the GST, specifically employee parking, government vehicle deduction and vehicle mileage surcharge. Departments must ensure that the GST is being deducted from the employee in these instances.

APPLICATION OF THE GST UNDER THE INDIAN ACT

The treatment of purchases under The Excise Tax Act will be consistent with [The Indian Act](#), which states that personal property of an Indian or an Indian Band as defined in The Indian Act, situated on a reserve and/or their interests in reserves or designated lands is **not** subject to tax. However, an individual must present proof of registration under The Indian Act to a vendor in order to acquire property or services on reserve without paying the GST. The following conditions will apply to purchases that The Indian Act applies.

- GST will not apply to on-reserve purchases of goods by Indians and Indian Bands, or off-reserve purchases of goods delivered to the reserve by vendors or their agents;
- GST will not apply to services purchases on-reserve by Indians, where the benefit will be realized primarily on-reserve;
- GST will not apply to services such as legal or accounting services, when purchased by an Indian Band for band management, or in connection with real property located on-reserve;
- Band-empowered schools, hospitals and social service entities on-reserve will purchase on the same tax-free status as an Indian Band.

For further detailed information on the application of the GST under The Indian Act, departments are to consult [Technical Information Bulletin B-039](#), available from the CRA.

COLLECTION

Invoices for goods and services provided by the Province of Manitoba are required to show the amount of GST separately, or indicate which items are subject to GST. Clients will require, and can demand this information to claim their input tax credits. In addition to the general requirements concerning invoices (for details, please see Section [7C-1.1](#)), the following GST-related information is required to be displayed on each invoice:

- the official business or trading name;
- the date when the GST was paid or became payable;
- the total amount paid or payable;

- an indication of which items are subject to the GST and/or a brief description of the good(s) or service(s);
- the total amount of GST charged; and
- the Province of Manitoba's GST registration number.

The GST collected is to be deposited to either the General Ledger (G/L) Account 3110110 - "GST" or 3110111 - "GST (Payroll)". Central Finance will, on a monthly basis, remit the GST payable to the Government of Canada.

REFUNDS

For those situations where a revenue refund is required on a type of revenue that is subject to GST, departments are to charge the applicable GST portion to the applicable General Ledger account(s) as noted above, and not to the current or prior year revenue refund accounts.

RECORDS RETENTION

Departments are required to maintain, for six (6) years, such collection records as are necessary in order to verify the collection of GST to satisfy the Canada Revenue Agency (CRA) audit requirements.

POLICY

For all government-occupied parking lots, the Government of Manitoba has established parking rates that are to be collected from employees via payroll deduction. Those employees with assigned government parking spaces will have the related parking fees deducted from the first two pay periods of each month. The fees collected will be for the current month.

There will be no adjustments or rebates to employees for any periods away from work as the result of sick leave, vacation leave, etc.

Deductions are placed in a payroll deduction holding account until month-end, at which time they are distributed to departments.

If there is insufficient earnings to cover the deduction, the deduction will be placed in arrears, and this amount will be shown in the "Payroll Results in Arrears" table available in the central financial and accounting system.

PROCEDURES

1. The payroll deduction holding account will be cleared once a month and a cheque will be sent to each department, along with the accompanying deduction listings.
2. This monthly cheque is to be deposited to those cost/fund centres identified by the department for the purpose of paying related parking charges.
3. At the end of each quarter, the Accommodation Services Division (ASD) who administers the parking program will bill each department for the number of allocated parking spaces. The departmental Parking Co-ordinator is to obtain a payroll deduction report from the central financial and accounting system, which is then used to reconcile the quarterly invoice from the [Accommodation Services Parking Program](#).
4. Departments are to post the billing to the cost/fund centre where the employee deductions have been deposited. Any shortfalls between the amount billed and the amount recovered will appear in the same cost/fund centre.
5. Departments are to monitor the monthly deductions from employees and prepare a detailed reconciliation of the causes of any shortfalls that may occur within each quarterly billing.
6. Any employee changes are to be made on the Parking Information [form](#), and submitted to the Accommodation Services Parking Program, which will distribute the form to the departmental level.

The form below is required to notify the Department of Finance of the issuance of a claim to recover costs on a particular shared cost agreement. This will create the necessary record to ensure that the Province of Manitoba receives the full shareable cost(s).

PROVINCE OF MANITOBA	
SHARED COSTS RECOVERABLE FROM OTHER GOVERNMENTS AND MUNICIPAL CORPORATIONS	
THIS FORM MUST BE COMPLETED FOR EACH CLAIM BEING MADE AND DISTRIBUTED AS DIRECTED.	
1	DEPARTMENT _____
2	RECOVERABLE FROM _____
3	AGREEMENT REFERENCE _____
4	AMOUNT OF CLAIM _____
5	INTERIM CLAIM ☐ FINAL CLAIM ☐
6	CLAIM PERTAINS TO EXPENDITURES FOR THE PERIOD FROM _____ TO _____
7	EXPENDITURES WERE CHARGED TO _____
8	RECEIPTS TO BE CREDITED TO _____
9	COMMENTS, IF ANY _____ _____ _____
10	DATE CERTIFIED _____ SIGNATURE OF CERTIFYING OFFICER _____
Manitoba  Finance	

PROCEDURES

1. A separate form is to be completed for each claim being made. It is generally prepared by the Departmental Accountant or Claiming Officer, and should contain the following information:

Field	Heading	Information
1	Department	the name of the department issuing the claim
2	Recoverable From	the name of the other government or municipal corporation
3	Agreement Reference	name of the Cost Sharing Agreement
4	Amount of Claim	total amount of present claim submitted
5	Interim or Final Claim	place an "X" in the appropriate box
6	Expenditures Claimed	the period in which the expenditures were made
7	Expenditures Charged to	the account(s) to which the expenditures were charged and the amount applicable to each account
8	Receipts to be Credited to	the appropriate account number
9	Comments, if any	any additional information which would assist in tracing the receipt of the claim
10	Date and Signature	current date and signature of individual submitting claim

2. Departments are to forward the original copy plus the second copy of the form to:

Department of Finance
Office of the Provincial Comptroller
200 – 386 Broadway
Winnipeg, MB R3C 0V8
publicaccounts@gov.mb.ca

3. A copy of the form is also to be forwarded to:

Department of Finance Treasury
Division
350 – 363 Broadway Winnipeg,
MB R3C 3N9
BankingServices@manitoba.ca

4. Departments are to maintain a copy of the form for their records.

POLICY

Bank reconciliation in the central financial and accounting system is done on a government-wide, monthly basis by the Central Finance, Bank Reconciliation section. However, there are numerous departmental and field chequing bank accounts throughout government that also must be reconciled on a monthly basis, as well as reported on a fiscal year-end basis (Please refer to the current [Fiscal Year-End Financial Administration Information Circular](#) (FAIC) in this regard).

This reconciliation should verify the balance per bank statement to the balance per departmental accounting records. The reconciliation report should be similar to the following example:

1.	Department of _____		
2.	Title of Account _____		
3.	Bank _____		
4.	Date _____		
5.	Balance per bank statement		XXXXX
6.	Add: outstanding deposits		
	NO.	AMOUNT	
	XX	XXXXXX	
	XX	XXXXXX	

		XXXXXX	XXXXX

7.	SUB-TOTAL		XXXXX
8.	Deduct: outstanding cheques		
	NO.	AMOUNT	
	XX	XXXXXX	
	XX	XXXXXX	
	XX	XXXXXX	
	XX	XXXXXX	

		XXXXXX	(XXXXX)
9.	Balance per accounting records		XXXXXX

DEFINITIONS

Account

Receivable: Receivables are defined as all amounts which are due to the Province by an individual, corporation or agency for services rendered, goods supplied, taxation, or other levies, **including** any debt or obligation arising from inter-departmental cost recoveries owed between government departments, and monies owing from the Government of Canada. An account receivable is deemed to be, and recorded as, a receivable at the point in time when the debtor's obligation is established, which includes:

- when goods or services are supplied,
- when notice of an overpayment is recognized and communicated,
- when a claim is submitted under a cost sharing agreement,
- when a known amount of taxation revenue is due by a stipulated date (or is overdue),
- when interest accrues on a late payment,
- when a monetary loan is extended,
- when there are overpayments or under-deductions related to employee salary/wages payments/deductions, and
- when any other legitimate claim against another party is quantified and recognized as due and payable.

Bad Debt

Allowance: An amount established on an annual basis to provide for uncollectible accounts.

Due Date: The specified date on which the receivable becomes due and payable. The due date is established in the following manner:

- the normal provision of goods or services; thirty (30) days after the date of invoice;
- mandatory licenses or permits; the first day of the period that the license or permit covers;
- loans; the repayment date; and
- other receivables; the payment dates as stipulated, scheduled or agreed to.

Invoice: A descriptive list of merchandise sent or services rendered including quantities, prices, shipping costs, payment terms, and the specification of a due date, provided to the purchaser in order to establish the initial payment obligation.

Set-Off: The reduction of an amount due or payable by the government to the extent by which that person is indebted to the government.

Statement: A request for payment including the original invoice amount plus accrued interest (if applicable).

Write-Off: A procedure whereby the Minister of Finance authorizes an accounting entry that extinguishes a debt.

RESPONSIBILITY

The responsibility for receivables systems rests with the particular department concerned. Each department must ensure that all monies due are claimed, recorded and collected or accounted for, in an appropriate manner. If modified procedures and records are required for different programs, locations or organizational units, the departmental systems should provide for the special conditions.

Inter-departmental billings, whether to be paid by cheque or through the central financial and accounting system's inter-departmental transfer facility, should be processed and controlled as an account receivable.

Certain programs provide for payments to be made to or on behalf of individuals, such as bursaries or training assistance, which are conditional upon specified services being performed. In these cases, memo accounts and follow-up procedures should be established to ensure the condition(s) is fulfilled or that the Province is reimbursed.

In those instances where receivables arise from actions other than the sale of goods or provision of services (e.g., shared cost claims, chargebacks), departments must establish the receivable record as soon as possible and take appropriate action to ensure the monies are received.

NOTE: Settlement of bad debts or dishonoured cheques **may not** be made by credit card.

PRINCIPLES

The fundamental principles which govern the policies and guidelines for accounts receivable include:

- the recording of an account receivable as soon as the debt is recognized and payment is requested;
- the application of appropriate accounting and reconciliation practices for effective control;
- the timely issuance of invoices and statements to debtors;
- the prompt and vigorous collection of all accounts receivable in an appropriate and consistent manner.

NOTE: IN PARTICULAR INSTANCES WHERE LEGISLATION OR REGULATION SPECIFICALLY PROVIDE OTHERWISE, THE POLICIES PERTAINING TO THE MANAGEMENT OF ACCOUNTS RECEIVABLE THAT FOLLOW MAY BE SUPERSEDED.



GENERAL

Receivables should form an integral part of a department's accounting system. Receivable transactions must be recorded promptly in a responsibility centre subsidiary ledger to facilitate proper management and ensure that the debt will not be overlooked, and should be monitored through the central financial and accounting system.

The responsibility centre subsidiary ledger may be maintained manually or electronically, but should be in such form as to disclose, at any point, the actual total amount owing by an individual debtor, as well as the individual amounts making up the aggregate total. All transactions affecting the receivable are to be detailed and recorded in the ledger as soon as the debt is recognized, and are to be maintained on an aged basis as illustrated below:

Description	PST	GST	Current	31-60 Days	61-90 Days	Over 90 Days	TOTAL

Within the central financial and accounting system there are six (6) accounts receivable control accounts established for departments to use if they wish to identify separate types of receivables. These accounts have generic names, and as such, departments choosing to use these different accounts must be able to internally identify which category of receivable is attached to which account.

The data from subsidiary ledgers must be regularly reconciled to the central departmental control account.

Responsibility Centre Managers should forward to the departmental Senior Financial Officer (SFO) a report by individual debtor, at least quarterly, on all accounts receivable, for the purpose of enabling the SFO to maintain a central departmental control account. The SFO will provide their departmental report to OPC on a quarterly basis, and OPC will perform a government-wide reconciliation of receivables to the departmental reports.

POLICY

1. Departments are required to record all credit sales as accounts receivable in their separate subsidiary departmental receivable systems, including any Goods and Services Tax (GST) and Provincial Sales Tax (PST), if applicable.
2. Departments must reconcile their departmental subsidiary ledgers to the General Ledger control account(s) on a monthly basis.
3. Departments must provide a report of their outstanding accounts receivable quarterly and as at March 31st of each fiscal year, as well as a separate aged report of inter-departmental receivables, with totals for each category of accounts receivable.
4. Departments must make an annual assessment of the collectability of each account receivable outstanding, and if collectability is doubtful for all or a portion of an account receivable, must assess the amount of bad debt allowance required to provide for the uncollectible accounts.



PROCEDURES

1. Departments must deposit all cash sales to revenue.
2. Departments must record all credit sales as accounts receivable in their departmental accounts receivable systems (ledgers), including any GST and PST payable.
3. Cash received on credit sales **is not** to be deposited to revenue, but must be deposited to the applicable central financial and accounting system accounts receivable control account(s).
4. On a monthly basis, departments must post a journal entry into the central financial and accounting system to update the General Ledger accounts receivable control account and corresponding revenue accounts for all the activity resulting from the invoices billed during that time period.
5. Deposit receipts must be recorded in the central financial and accounting system the same day the deposit occurs to ensure timely recognition of the funds received and to prevent any unnecessary interest charges (See Section [7C-1.2](#)).
6. On a monthly basis, departments should reconcile the balance in their accounts receivable records to the balance in the General Ledger accounts receivable control account. As a result of doing this, departmental revenue and accounts receivable balances, as reflected in the central financial and accounting system, should be up-to-date on a current basis.

FISCAL YEAR-END REPORTING AND BAD DEBT DETERMINATION

Policy:

Departments are required to provide a report of their outstanding accounts receivable quarterly and as at March 31st of each fiscal year (excluding those related to Federal Shared Cost Programs, Goods and Services Tax, Retail Sales Tax and Interdepartmental Receivables), as well as a separate aged report for Interdepartmental Receivables, with totals for each category.

In addition, departments are to determine an appropriate level of allowance for doubtful accounts, and to indicate the appropriate revenue accounts to which changes in receivables should be accrued. The change between the opening and closing balance in accounts receivable will be accrued as an increase/decrease to the revenue accounts affected by the respective receivables (excluding allowances). If there are no amounts overdue, departments are required to submit a "NIL" report.

These reports are to be forwarded to:

Office of the Provincial Comptroller
Treasury Board Secretariat
publicaccounts@gov.mb.ca

Procedures:

For details departments are advised to consult the annual [Fiscal Year-End Pre-closing and Financial Reporting Requirements, Financial Administration Information Circular](#) (FAIC).

1. As at March 31st of each fiscal year, for each category of accounts receivable, departments are to make an assessment of the collectability of each account receivable outstanding, and if

collectability is doubtful for all or a part of an account receivable, the department is to assess the amount of bad debt allowance required to provide for that amount.

NOTE: This bad debt allowance is not to include the GST or PST portion of the account receivable - only the principal amount.

2. Departments are also to determine the appropriation(s) or cost/fund centre(s) to which increases or decreases in bad debt allowances are to be charged or credited. This should be an appropriation or cost/fund centre that is connected to the program which creates the related receivables.
3. The Office of the Provincial Comptroller (OPC) will post the appropriate accrual adjustments to each of the respective receivable accounts and allowance accounts by department, based on the information reported through the Fiscal Year-End reporting requirements.
4. Receivables which are deemed to be uncollectible should be written off in accordance with the policies concerning write-offs as outlined in [Section 7E-3.5](#).
5. OPC will make the appropriate entries reducing the existing accounts receivable balance, and the write-off will be applied against the allowance which has been provided.

Where there is no (or insufficient) allowance in place at the end of the previous fiscal year, the write-off will be charged directly to the related appropriation or cost/fund centre.

The related GST and PST portions must also be reversed.

6. If/when it is determined that any allowance or part thereof is no longer required as a result of collection of the amount provided for in the bad debt allowance, the amount determined to no longer be required as an allowance is to be charged (debited) to the allowance account and credited to the revenue account number "5401801 - Refund of Prior Years' Expenditures".



Departments must take prompt and vigorous action to collect every account receivable, including amounts due from other departments, and amounts due from employees. Collection action will differ depending on the nature and circumstances of the debts concerned.

INVOICES

To the extent practicable, all billings should be effected by means of pre-printed and pre-numbered invoices maintained under appropriate distribution control. All invoices are to be issued promptly following the point in time that the debtor's obligation is established.

All account receivable invoices or written requests for payment must specify a due date as defined in the context of these policies (see Section [7E-1.0](#)), and display notice of potential late payment penalties (see Section [7E-3.2](#)).

NOTE: Payment of accounts receivable **may not** be made by credit card.

COLLECTION

Departmental procedures should include the review of overdue accounts receivable to determine whether there is any set-off opportunity, in accordance with the Right of Set-Off policy (see Section [7E-3.3](#)).

Collection action should be routinely taken on a progressive basis, starting with an invoice and continuing with a monthly statement. Where payment is overdue, statements should be sent on an aged basis to keep debtors fully advised as to both the extent and the condition of their indebtedness.

In addition to the use of statements, it is essential that supplementary collection action be taken by dunning letter, telephone or personal contact. This should be carried out by having progressively higher levels of officers in the department address their peers in the debtor organization where possible.

NOTE: Departments should ensure that reasonable effort is expended for the collection of receivables commensurate with the amount at risk.

Where goods or services are being supplied, senior operational personnel of the branch supplying the goods or services should be brought into the collection activity at a relatively early stage. Where senior levels in the financial and operating branches become involved in direct contact with the debtor, their efforts should be directed towards establishing an understanding for continuing prompt settlement, rather than just concentrating on the settlement of accounts outstanding at that time. Prudent measures should be adopted in subsequent dealings with delinquent debtors.

COLLECTION CONSIDERATIONS

The following should be considered during the collection process:

NOTE: The following is **not** applicable in the case of inter-departmental cost recoveries or monies owing from the Government of Canada.

- If the amount to be collected is large, good realizable security may be accepted on the advice of the Treasury Division, Department of Finance.



- Where a debt is owed by a person who, since the debt was incurred, has declared bankruptcy, the creditor department should file a proper claim with the Trustee in bankruptcy.
- All reasonable action must be taken to locate a missing debtor, taking into account the amount of collection expenses that may be incurred.
- Civil Legal Services may be consulted (on a fee-for-service basis) as to the course of action to be taken when collection problems are encountered.
- After having exhausted all other avenues of collection, and where they determine that it is economically feasible, departments may engage the services of a commercial credit collection agency (for details, please refer to section [7E-3.1](#)).

POLICY

After having exhausted all other avenues of collection, and where they determine that it is economically feasible, departments may engage the services of a commercial credit collection agency. The department/business area engaging the services of a collection agency assumes all costs associated with the service.

Application should be made to the Director of Risk Management and Banking, Treasury Division, Manitoba Finance for authorization, approval and recommendation on the appropriate use of a collection agency.

Collection agencies will be selected by "business unit" in consultation with Treasury Division and a collection agency contract will be established that will be tailored to the needs of that unit.

PROCEDURES

Collection agency contracts must be tendered in consultation with the Procurement and Supply Chain Division and in accordance with the General Manual of Administration (e.g. approval by Treasury Board, if expenditure authority is required).

Departments are responsible for preparing a Request for Proposal (RFP). The Director of Risk Management and Banking, Treasury Division, in consultation with departments will assist in determining the RFP deliverables, requirements and appropriate selection criteria to be used in the analysis of the proposals. Once approval of the finalized RFP is received from Treasury Division departments may tender their collection agency contracts to available suppliers of the service. The Department evaluating the RFP may consult with Treasury Division for assistance with the evaluation.

Once the evaluation of proposals is complete, a report is to be prepared by the department outlining the pertinent details of the selection process as follows:

- selection criteria used in the analysis of the submitted proposals
- weightings of each selection criteria
- score and rankings of each proposal
- top ranked proposal

This report is to be forwarded to the Director of Risk Management and Banking for their records. The Department should then complete the contract negotiations in consultation with Legal Services.

The contract, in triplicate, must be forwarded to the collection agency(s) for their signature, with the express understanding that the contract is not to be considered awarded until the Minister of Finance or delegated authority in Finance approves it. Upon return by the collection agency(s), the contract, in triplicate, is forwarded to Treasury Division, whereupon the Minister of Finance will be briefed and arrangements made for the execution of the contract. One copy of the signed contract will be maintained in the Treasury Division files, and two copies will be returned to the department - one copy for the collection agency and one copy to be filed in departmental records.

When the contract is nearing its expiry date, the department must re-evaluate the need for collection agency services. If the need continues to exist, the department must notify Treasury Division and follow the appropriate guidelines as indicated above.

Annual Reporting Requirements:

A statistical report of collection agency activities as at March 31st of each year must be compiled and forwarded to the Director of Risk Management and Banking. This report must contain the following information (a report template is available from the Treasury Division upon request):

- Department name
- Fiscal year ending date
- Name of collection agency(s)
- Type of receivables
- Opening April 1 number of files with each agency
- Opening April 1 dollar value of files with each agency
- Number of files transferred to each agency during the period
- Dollar value of files transferred to each agency during the period
- Average age of files referred to each agency during the period
- Number of files collected during the period
- Dollar value of files collected during the period
- Number of files closed/returned uncollected during the period
- Dollar value of files closed/returned uncollected during the period
- Net Back (dollar value) after commission during the period
- Total of any other charges during the period
- Name and telephone number of departmental contact person

The above reporting requirements are also referenced in the [Fiscal Year-End Procedures and Reporting Requirements Financial Administration Information Circular](#).

POLICY

Interest is to be charged on all overdue accounts receivable, with the exception of the following:

- Whenever otherwise provided by enactments, or in accordance with alternate terms agreed to by the Minister of Finance;
- On amounts owed under one hundred dollars (\$100.00) per client/customer;
- On amounts owed:
 - internally between government departments;
 - from the Government of Canada where no provision for interest charges is specified;
 - as a consequence of overpayment/duplicate payment of social allowance support from the Province of Manitoba;
 - as recoveries from employees for the overpayment/under-deduction of salaries, wages or pay allowances.
- Where a client/customer is precluded from paying by legislation (e.g., court-imposed fines under the Criminal Code of Canada);
- Other **categories** of accounts receivable that are determined by the Minister of Finance to be excluded from the payment of interest charges.

INTEREST RATE

In accordance with [Section 25 \(1\) of The Financial Administration Act](#), the Minister of Finance will establish the rate(s) of interest to be charged on all overdue accounts receivable. The rate of interest to be charged will be established on January 1st and July 1st of each year by the Minister of Finance, through the Director of Risk Management and Banking, Treasury Division, Department of Finance. This rate will be communicated on a government-wide basis via a Financial Administration Information Circular (FAIC), and will be posted in the central financial and accounting system on the above dates.

The rate of interest to be charged will not be in excess of two (2) percent above the prime lending rate of the principal banker of the Province.

Interest will be calculated and compounded monthly.

PROCEDURES

1. Interest is to be applied and calculated from the 31st day past the invoice date, and should be displayed on each month-end statement.

2. In addition to other invoicing requirements (for details, please see Section [7C-1.1](#)), all invoices issued by the government are to include the following terms of payment:

**"All accounts due and payable 30 days from the date of invoice.
A daily interest charge equivalent to 2% above the prime rate
per annum (as reviewed and amended semi-annually on January 1st
and July 1st) will be applied commencing the 1st day past due."**

3. Interest will be applicable to an account receivable until full payment (principal plus accrued interest) is received. Interest amounts of less than ten dollars (\$10.00) will not be pursued when full payment of the principal is received in respect of the most recent customer statement. Reversal of interest charges of ten dollars (\$10.00) or less can be made without provision for write-off as a reversal of receivables. Interest in excess of ten dollars (\$10.00) is considered to be a receivable and subject to the normal write-off provisions.
4. Interest on money owing the Province is to be accrued until such time as the account is deemed to be uncollectible and eligible for write-off in accordance with *The Financial Administration Act* (for details, please see Section [7E-3.5](#)).
5. Departments are to record interest earned on accounts receivable either to the departmental sundry revenue account or to the revenue stream where the revenue was earned.

The Province has established one revenue account (5400070) in the central financial and accounting system for interest earned on accounts receivable customers. When the interest program is executed in the central financial and accounting system, the interest will debit the customer and credit the interest earned revenue account. The credit will be applied to one cost centre within each department. Departments will then have the option to journal the earned interest to the revenue account of their choice, or leave it in the earned interest revenue account.

POLICY

The Financial Administration Act states:

"47 When a person owes money to the government or a government agency in any specific sum, the Minister of Finance may authorize the retention by way of deduction or set-off of the amount of that indebtedness out of any amount that may be due and payable by the government or a government agency to that person."

Where an amount was receivable from a client in any revenue area in excess of one hundred dollars (\$100.00), and all other avenues of collection, except submission to a collection agency, have been exhausted, the department may prepare and submit a list of such amounts, including all pertinent customer information, to the Assistant Deputy Minister, Treasury Division, Department of Finance, with a copy to Central Finance at CPOAnalyst@gov.mb.ca. Central Finance will then search the government's vendor database and identify those vendors so affected by the set-off action. A payment block will then be applied to the identified vendor(s) by Central Accounts Payable, which will suspend the processing of any amount due and payable by the government or government agency to that vendor, and subsequently divert the payable to the applicable revenue area to the extent possible.

NOTE: This policy also applies to monies owing by provincial employees.

PROCEDURES

1. Monthly departmental procedures should include the review of overdue accounts receivable to determine whether set-off action should be considered.
2. **After all other collection methods have failed**, departments/government agencies are to forward a written request to the Assistant Deputy Minister, Treasury Division, Department of Finance to authorize a set-off under Section 47 of The Financial Administration Act. There is currently no dollar limit, i.e., whatever is owed becomes the amount of the set-off.

The set-off request should be authorized/signed by the departmental/agency Senior Financial Officer (SFO).

The set-off request must contain the customer/client name(s), address, amount to be set-off, and wherever possible, the central financial and accounting system (SAP) vendor number(s). If desired, the request may also contain payment schedule information (i.e., in instances when the set-off action is requested against a government employee, the department/government agency may establish a set amount or percentage to be deducted per pay period.)

3. A copy of the set-off request must also be forwarded to Central Finance at CPOAnalyst@gov.mb.ca.

NOTE: The requesting department/agency will be contacted **only** in instances where there is a concern with authorizing set-off action.

4. Central Finance will register the set-off request in an internal garnishment database and will place a block for payment against the appropriate vendor(s) in the central financial and accounting system (SAP).

5. At least twice monthly, Central Finance will generate a report that identifies open item payments for vendors that are blocked for payment. Once this report is analyzed, the open items will be posted and cleared for the purpose of attachment to any set-offs.
6. Once set-off cheques (which are made payable to the Minister of Finance) are generated, Central Finance will remit payment(s) to the appropriate department/agency for application toward the respective set-off. A covering memo will accompany all remittances for this purpose.
7. As required, the Central Finance will forward a notification letter to the affected vendor(s), with an explanation of how the set-off action has encumbered their payment(s).
8. When the full amount to be set-off is recovered, Central Finance will remove the vendor payment block.

If, however, the department/agency wishes to release the set-off prior to the full amount being recovered, the department/agency must forward written notification to the Assistant Deputy Minister, Treasury Division, Department of Finance. A copy of this set-off release notification must also be forwarded to the Central Finance, to authorize the removal of the vendor payment block.

POLICY

The Canada Revenue Agency (CRA) has a program in place which allows provinces to access an individual taxpayer's anticipated income tax refund for the purpose of collecting outstanding debts owed by the taxpayer. At the current time, this program only applies to individual taxpayer refunds, although it has been proposed to extend the program to corporate taxpayer accounts in the future.

Provinces wishing to participate in the program must agree to a framework governing provincial funds available for set-off, types of provincial Crown debts that can be set-off, sharing of funds among competing debts, economic hardship exclusions, and contributions to the costs of the program.

In principle, the set-off program is another tool to use in the debt collection process, however, it is expected that all other collection procedures will have been exhausted prior to applying for this program. Note that outstanding debts being collected under this set-off program should **not** be written off, since they will be tracked by CRA with the individual's Social Insurance Number (SIN) and may be collected in the future under the program. An allowance for doubtful accounts should be established for the full balance of the outstanding debt. This allowance should be reversed to the "Recovery of Prior Years' Expenses" revenue account based on the amount of funds recovered.

This program will be co-ordinated through the Office of the Provincial Comptroller, Treasury Board Secretariat.

KEY ELEMENTS

- Refundable provincial credits, including the Property Tax Credit, Cost of Living and Learning Tax Credits, will be pooled with federal Goods and Services Tax (GST) credits, Canada Pension Plan (CPP), Employment Insurance (EI) and income tax overpayments. Child-related benefits are not available for set-off. The CRA indicates that to date, about ninety-eight percent (98%) of set-offs are internal to a province, i.e., Manitoba's credits would likely stay within Manitoba to be set-off against federal and Manitoba debts.
- Economic hardship rules will set a minimum family income threshold below which set-offs cannot be applied. The threshold for federal purposes will be set at seventeen thousand dollars (\$17,000), which is about the maximum a family would have before having some income tax liability. Similar thresholds will be expected to be implemented for provincial purposes, i.e., provinces will not ask for set-offs in respect of debts owed by taxpayers under the federal thresholds.
- Provinces will be expected to contribute to the costs of the program, perhaps on a negotiated fee basis, like those applied by the CRA for administering provincial refundable credits.
- Provinces will be able to include debts such as welfare overpayments, defaulted student loans, provincial tax debts for non-CRA administered taxes (e.g., gasoline or sales taxes). The province will be expected to establish a central agency to co-ordinate reporting of provincial debts to the CRA, as well as to arbitrate among provincial departments with competing claims. Competing claims between levels of government (or jurisdictions) will be processed pro-rata. Records of debts must be kept up-to-date, preferably be electronic data transfer.
- No set-offs will be applied until priority claims (tax debts for taxes administered by the CRA - federal and provincial income tax, CPP, EI), and claims under the Family Orders and Agreements Enforcement Assistance Act (FOAEA) have been satisfied.

NOTE: Manitoba Justice, Family Law Branch already participates under the FOAEA.

- The key identifier to establish a set-off is the taxpayer's Social Insurance Number. Federal authorities have indicated that a department wishing to participate in the program must have the taxpayer's authorization to use the taxpayer's SIN as an identifier.
- When a debt has been registered for set-off, the CRA will notify the taxpayer of the proposed set-off, and indicate that the taxpayer should contact the provincial department requesting the set-off for explanations, or settling the debt within a given period of time.



POLICY

The Financial Administration Act provides for the write-off of accounts receivable as follows:

"**21(1)** The Minister of Finance may by certificate authorize the write-off of all or part of a debt or obligation that the Minister of Finance considers to be uncollectible or the collection of which the Minister of Finance considers not to be cost effective."

"**21(2)** The write-off of all or part of a debt or obligation does not extinguish the right of the government to collect it."

A write-off is a procedure whereby the Minister of Finance authorizes an accounting entry that extinguishes a debt that is deemed to be uncollectible by the department. This policy approach applies to accounts and loans receivable.

With the exception of inter-departmental cost recoveries, the Province may cease collection action for certain outstanding accounts receivable that have been deemed uncollectible by the department. Such debt will be transferred from an active to an inactive grouping of accounts receivable, where it will remain as part of the departmental control account until such time as collection action is resumed.

All requests for write-off must be authorized by the departmental Executive Financial Officer (EFO) prior to being submitted to the Provincial Comptroller.

- NOTE:**
1. Departments have an obligation to assess likelihood of receivables on an ongoing basis. Requests for write-offs are to be made when it is deemed collection of all or part of a receivable is unlikely. Requests for write-offs must be submitted quarterly.
 2. Write-offs should not be initiated while a receivership is in process. Departments must ensure the bankruptcy has been discharged by the courts before proceeding with writing-off the debt.
 3. Accounts receivable submitted for collection under the Federal Government Set-Off Program are **not** to be written off since they can be tracked by CRA for collection.
 4. Adjustments to accounts receivable arising from different interpretations of amounts billed (e.g., cost-sharing agreements) are to be processed as an adjustment to the account(s), not as write-offs.

PROCEDURES

1. Ensure that departmental collection procedures have been documented and followed, and that the account is deemed uncollectible.
2. Prepare a [request for write-off of account\(s\)](#). The following information must be provided:
 - the amount and the revenue or expenditure account(s) affected by this action
 - a description/explanation of the write off and the various collection actions taken. Include a description of the circumstances (the reason for the write-off, including the reason for the outstanding debt and any collection action taken by the department), and the reference to a Treasury Board decision, if applicable



- explanation of receivership or bankruptcy proceedings if applicable
- It is not necessary to include the name of the debtor if they can be identified by a client number.

3. All submissions pertaining to write-off requests are to be emailed to:

Office of the Provincial Comptroller
Treasury Board Secretariat
opcmb@gov.mb.ca

In accordance with Section 21(1) of The Financial Administration Act above:

Any individual amount for write-off will require authorization in the form of a certificate issued by the Minister of Finance, or delegated official. Amounts \$50 thousand and over must be authorized by the Minister of Finance; amounts under \$50 thousand has been delegated to Treasury Board Secretariat (TBS).

Departments may be required to provide additional information regarding the write-off, and in such cases, the Office of the Provincial Comptroller (OPC), TBS will contact those departments on an individual basis.

4. Once approval for write-off has been received in the form of a certificate authorized by the Minister of Finance or delegate in consultation with OPC, departments are to make the appropriate entries reducing the amount of the account receivable balance and charging the write-off against the existing allowance account (and/or cost/fund centre, as required). **Departments must provide confirmation to OPC with the SAP document number(s) after recording the appropriate entries.**

NOTE: Departments may only make the entries when the central financial and accounting system is available to them (i.e., up to and including Period 13). After this time, OPC will make the entry into the system.

5. In those instances where recoveries are received after write-off, the proceeds from that collection are to be deposited to the related allowance account. A note of the amount received should be made on the certificate which approved the write-off.

Recoveries received after write-off must also be reported to OPC using the email address noted above. This information must include:

• the write-off certificate number	• amount of the write-off
• date of the certificate	• amount of collection
• name of the account	• balance remaining
• date collected	• SAP document number of the deposit

6. In accordance with [Section 24 of The Financial Administration Act](#), OPC will arrange for a summary of each write-off to be made available for inspection by the public no later than thirty (30) days after it is authorized. A summary of recoveries from accounts previously written-off will also be made available. This information will be available to the public through the Legislative Building Information System (LBIS), and accessed via the Legislative Library system.

*See [Write-off Workflow](#) document

POLICY

The Financial Administration Act provides for the settlement of debt(s) or obligation(s) as follows:

"23 When a claim for a debt or obligation is made on behalf of the government by a minister, whether or not proceedings have been commenced, and the minister is satisfied that it is in the public interest to enter into an agreement to settle the claim for a specified amount, the minister may, in accordance with regulations or directives of the Minister of Finance respecting the settlement of claims for debts and obligations, settle the claim for the amount in full satisfaction of the claim."

A settlement is a procedure whereby the Minister of Finance authorizes an accounting entry that extinguishes an uncollectible portion of a debt that, by agreement of the departmental Minister, is in the public interest, deemed to have been collected in full. A settlement is distinct from a write-off in that the portion of debt that is written-off may still be collected at a future date, whereas a settlement assumes the agreed upon amount is in full satisfaction of the debt.

With the exception of inter-departmental cost recoveries, the Province shall be prepared to cease collection action for certain outstanding accounts receivable that are deemed to have been collected in full as per a settlement of debt or obligation as determined by a departmental Minister. The collection of the portion of the debt agreed upon as being the final offer of settlement is to be credited against the account receivable, while the portion of the debt remaining will be charged against the appropriate allowance for doubtful account (See Section [7E-2.0](#)).

PROCEDURES

1. Ensure that departmental collection procedures have been followed and that the account is deemed uncollectible.
2. Prepare a certificate (See page following) recommending settlement of the debt or obligation by providing the following information:
 - details of the settlement
 - the proposed settlement offer
 - recommendation of the departmental Minister and authorizing Ministerial signature
 - recommendation of acceptance by the Minister of Finance (to be completed by the Department of Finance, Treasury Division)
3. Forward the request to:

Assistant Deputy Minister
Treasury Division
Department of Finance
350 – 363 Broadway
Winnipeg, MB R3C 3N9

AUTHORIZATION BY THE MINISTER OF FINANCE UNDER SECTION 23 OF THE FINANCIAL ADMINISTRATION ACT (Under \$5,000/Over \$5,000)	
	CERTIFICATE NO.: S-
WHEREAS Section 23 of "The Financial Administration Act" provides as follows: "23 When a claim for a debt or obligation is made on behalf of the government by a minister, whether or not proceedings have been commenced, and the minister is satisfied that it is in the public interest to enter into an agreement to settle the claim for a specified amount, the minister may, in accordance with any regulations or directives of the Minister of Finance respecting the settlement of claims for debts or obligations, settle the claim for the amount in full satisfaction of the claim",	
AND WHEREAS	①
AND WHEREAS	②
AND WHEREAS the Minister of _____ department recommends to the Minister of Finance the acceptance of the Offer of Settlement by _____ name of the amount of _____ in full satisfaction of the claim:	
③	_____ Minister of _____ department
THEREFORE , it is hereby directed:	
④	THAT the \$ _____ Offer of Settlement by _____ name be accepted as payment in full of the outstanding debt of \$ _____ with the balance of \$ _____ being forgiven.
DATED this _____ day of _____, 20 ____.	
	_____ Minister of Finance

4. Once approval for settlement has been received in the form of a certificate authorized by the Minister of Finance, departments are to forward the particulars, including the amount and the appropriate allowance for doubtful account and/or cost/fund centre to:

Office of the Provincial Comptroller
Treasury Board Secretariat
publicaccounts@gov.mb.ca

5. The Office of the Provincial Comptroller will make the appropriate entries reducing the amount of the account receivable balance as per the final offer of settlement, and charging the balance against the appropriate departmental allowance for doubtful account, or if an allowance has not been provided for, against the cost/fund centre indicated in point #4 above.
6. Departments are then to adjust their records, removing the account(s) from active accounts receivable.

7. In accordance with [Section 24 of The Financial Administration Act](#), the Department of Finance will arrange for a summary of each settlement to be made available for inspection by the public no later than thirty (30) days after it was authorized. This information will be available to the public through the Legislative Building Information System (LBIS), and accessed via the Legislative Library system.

POLICY

The Financial Administration Act provides for the remission of money paid or payable as follows:

"22(1) When the Minister of Finance is satisfied that it is in the public interest to do so or that hardship or injustice has resulted or is likely to result, the Minister of Finance may, by a regulation of a general application or application to a class of persons or by certificate in a specific case, authorize the remission of all or part of

- a) any tax, royalty, fee or other amount that is imposed or authorized to be imposed under this or any other Act of the Legislature; or
- b) any forfeiture, fine or pecuniary penalty that is imposed or authorized to be imposed under this or any other Act of the Legislature, whether or not all or any part of it is payable to another person.

22(2) The remission of money may be conditional or unconditional, and may be granted

- a) before, after or during the course of, any proceeding for the recovery of the money;
- b) before or after any payment of the money has been made or enforced by process or execution; or
- c) in the case of a tax, royalty, fee or other amount, before the liability arises."

A remission is a procedure whereby the Minister of Finance deems that it is in the public interest, or that hardship or injustice will result through money paid or payable to the government under this or any other Act of the Legislature, and thus authorizes an accounting entry that extinguishes all or a part of that debt. An example of a remission is where a citizen or customer has paid an amount of provincial sales tax, the result of which places that customer in a bankruptcy situation. The Minister of Finance may deem that as payment of the tax will result in undue hardship, the amount of tax paid will be remitted back to the customer.

All remissions must be approved by the Minister of Finance via the issuance of a certificate.

The remission of any amount collected by the government prior to the issuance of the remission certificate is considered to be a refund of revenue, and a refund will be made out of the corresponding current or prior year revenue account (for details, please see Section [7F-1.0](#)). Any remaining or unpaid portion of the remission is considered to be a reduction to the account receivable, and thus a corresponding reduction to revenue, **unless** all or part of the remission has been provided for in the department's allowance for doubtful accounts, in which case the remission will be applied against the allowance account.

PROCEDURES

1. Prepare a request for remission form (See below) by providing the following information:

- department name and branch, if applicable
- the revenue account affected by this action
- the amount of the remission
- a brief description/explanation of the reason(s) for the remission

NOTE: If the number of remissions is more than ten (10), this information **must** be provided electronically. Departments are asked to contact Manitoba Finance, Treasury Division regarding which electronic format is most compatible.

REMISSIONS UNDER SECTION 22 OF THE FINANCIAL ADMINISTRATION ACT

TO BE FILLED IN BY FINANCE - TREASURY

Certificate Number	Date of Certificate	Department/ Branch	Name of Account	Description/Explanation	Amount

- NOTE:**
1. Remissions over five thousand dollars (\$5,000) require the preparation of an informational submission to Cabinet prior to approval and issuance of a remission certificate. This submission will be prepared by Manitoba Finance, Treasury Division, however departments will be required to provide additional detailed information regarding the remission to assist in the preparation of this submission. A copy of this detailed information will be attached to the Cabinet Submission.
 2. Departments may be required to provide additional information regarding remissions of five thousand dollars (\$5,000) or less. In such cases, Manitoba Finance, Treasury Division will contact those departments on an individual basis.

2. Forward the request to:

Assistant Deputy Minister
Manitoba Finance
Treasury Division
350 – 363 Broadway

3. Once approval for remission has been received in the form of a certificate authorized by the Minister of Finance, departments are to forward the particulars, including the amount, and where applicable, the allowance for doubtful account and/or cost/fund centre account to:

Office of the Provincial Comptroller
Treasury Board Secretariat
publicaccounts@gov.mb.ca

4. The Office of the Provincial Comptroller will make the appropriate entries reducing the amount of the account receivable balance and charging the balance against the appropriate allowance for doubtful accounts, or if an allowance has not been provided for, against the cost/fund centre identified in point #3 above.
5. Departments are then to adjust their records, removing the account(s) from active accounts receivable.
6. In accordance with [Section 24 of The Financial Administration Act](#), Manitoba Finance will arrange for a summary of each remission to be made available for inspection by the public no later than thirty (30) days after it is authorized. This information will be available through the Legislative Building Information System (LBIS), and accessed via the Legislative Library system.



POLICY

Under the terms and conditions of the collective bargaining agreement between the Government of Manitoba and the Manitoba Government Employees Union (MGEU), an employee may be granted a leave of absence to attend Union business.

Section 45:01 (c) of the agreement states,

" Where such leave of absence has been granted the Union shall reimburse the government one hundred percent (100%) of the wages paid to such employees during the approved absence. "

The monies owed to the Government of Manitoba by the MGEU for wage recoveries are deemed to be receivables, and as such, it is a departmental responsibility to ensure that all monies due are claimed, recorded and collected in a timely manner. All policies and procedures applicable to receivables are also applicable to MGEU wage recoveries.

PROCEDURES

NOTE: The following procedures are specific to the wage recovery process. Departments are to refer to the Government/MGEU Master Agreement for details concerning leave eligibility for collective bargaining and regular Union business.

Manitoba Government Employees Union (MGEU):

1. On November 1st of each year, the MGEU will provide an annual report to Workforce Relations, Public Service Commission. This report will identify those employees who have been elected as table officers, stewards, negotiators, committee members, etc., for purposes of carrying out Union business.
2. For regular Union business (other than collective bargaining), the MGEU will provide "time-off" letters in advance of each function or meeting to each employee, each employee's supervisor and to the departmental Director of Human Resources, in order to obtain formal supervisory approval for employee attendance, and to advise the appropriate personnel of the employee's attendance at such meetings/functions.
3. The MGEU will maintain an attendance register at each meeting or function that will be used to verify wage recovery claims.

Workforce Relations, Public Service Commission:

1. Workforce Relations will distribute a copy of the annual report received from the MGEU to all affected departments, so as to advise them of those employees eligible to attend regular Union business.

NOTE: There may be additions and/or deletions to this report throughout the year. If departments have questions concerning the eligibility of a specific employee whose name does not appear on this annual report, they are advised to contact the MGEU directly.

2. During collective bargaining, Workforce Relations will distribute wage recovery attendance sheets to affected departments at the conclusion of each collective bargaining session. These

sheets will identify and confirm which employee's salaries are to be billed to the MGEU for wage recovery purposes.

Departments:

1. Departments are to ensure that they receive a copy of the annual MGEU report or, during collective bargaining, the wage recovery attendance sheets from Workforce Relations in order to identify those employees eligible for wage recovery.
2. Upon receiving the "time-off" letters from the MGEU, departments are to ensure that the employee's immediate supervisor has provided a signature authorizing the employee to attend the function.
3. Departments are to ensure that all time spent on MGEU business is clearly marked on departmental attendance forms (Attendance/Absence Type 6530 is generally used for this purpose).
4. Departments should verify employee attendance at the particular meeting or function.

NOTE: The MGEU will forward time-off letters to all eligible employees, but not all eligible employees will attend every meeting or function. It is thus incumbent upon departments to verify their employees' attendance.

5. If a meeting was held on an employee's day off, vacation day, statutory holiday, or other form of compensatory time off, that day **is not** to be recorded as MGEU business on the attendance form. The MGEU is not to be billed for wage recoveries if the employee is in a leave status.
6. Billing claims are to be prepared by the departmental Human Resource section based on the information contained in the following:
 - a) the approved time-off letter from the employee's supervisor
 - b) the biweekly attendance report from the employee's office, with the Attendance/Absence type of 6530 indicated thereon
 - c) the employee's rate of pay
 - d) the employee's leave status at the time of the billing
7. An MGEU wage recovery form should be completed based on the information contained in the above documents, and forwarded to the MGEU for processing (please refer to sample form that follows).

NOTE: The following is a sample format. Departments may elect to design their own form, providing it contains all the information detailed in the following.

DEPARTMENT _____		MGEU WAGE RECOVERY					
PREPARED BY _____							
TELEPHONE # _____							
Acctg. Codes (MGEU Use)	Date(s)	Employee Name	Number of Days	Hours	Hourly Rate	Amount Claimed	Purpose/Meeting
TOTALS							

8. Billings are to be forwarded to the MGEU for processing on a timely basis. At a minimum, it is suggested that billings be forwarded on a quarterly basis, although departments with large numbers of claims should submit them to the MGEU on a monthly or biweekly basis as required.
9. Per the policy on recoveries as detailed in Section [8F-1.0](#), upon receipt of payment, departments are required to deposit the funds to Sundry Revenue (for details on the deposit process, please see Section [7C-1.2](#)).

POLICY

The Financial Administration Act, provides for the refund of money as follows:

"20(1) A refund of all or part of money received by the government

- (a) that is erroneously paid or collected; or
- (b) for any purpose that is not fulfilled;

may be paid out of the Consolidated Fund in accordance with directives of the Minister of Finance."

Departmental ministers may, through the departmental Executive Financial Officer (EFO) and the delegation of financial signing authority process, authorize positions within their department to exercise payment authority with regard to refunds (for details, please see [Chapter 2 - "Delegation of Financial Signing Authority"](#)).

Delegated refund authority should be clearly identified on the Delegation of Financial Signing Authority chart. Positions with refund authority should ensure that appropriate supporting documentation for the original payment is available and certified which includes calculations and sufficient justification for the refund.

All refunds must be authorized by the department's refund authority before being processed. Refunds over five thousand dollars (\$5,000.00) per transaction must also be forwarded to publicaccounts@gov.mb.ca to the attention of the Provincial Comptroller, Treasury Board Secretariat, as a request for final approval. Departments making such requests must provide a signed letter from the prospective recipient or the department requesting the refund and attach supporting documentation as noted above.

Where possible, the method of refund should be in the same manner as payment.

When making refunds in cash, departments should ensure that adequate controls over cash exist.

PROCEDURES

1. As much as possible, the method of refund should be related to the manner in which the transaction which gave rise to refund was transacted (i.e., if the transaction was via credit card, the refund should be back to the credit card; if the transaction was by cheque, the refund should be by cheque).

NOTE: Where the transaction for which a refund is required was paid by cheque, the refund must not be issued until the customer's cheque has cleared the financial institution (generally a week from the date of deposit).

2. Departments should determine whether or not they will issue refunds in cash, and what limits to set on cash refunds which may be issued. In determining this level, departments should consider:
 - the nature of business, and the anticipated volume and magnitude of refunds which will be issued
 - the desired level of cash float which will be kept on hand

- safeguards over cash and security considerations
- segregation of duties related to cash handling and recording

NOTE: If the refund is over one hundred dollars (\$100.00) and the original form of tender was cash or debit card, it is recommended that the refund be made via cheque issued through accounts payable, rather than reduce cash on hand. If the original payment was debit card and the customer is present, a credit could be issued back to the customer's debit card.

3. In keeping with the Province's delegation of financial signing authority policy, the level of authorization required should be related to the magnitude of the refund as well as the level necessary to fulfil operational requirements.
4. Departments are responsible for their own refund system(s). Each system should ensure the following information is recorded:
 - the name and address of the payee
 - the date and receipt number or other identification of the original payment to the Province
 - the amount of the original receipt
 - the amount being refunded
 - the fiscal year (current; prior) and the type of revenue being refunded
 - the reason why the refund is being made
5. The amount and date of the refund must be recorded on the original receipt copy.
6. For details on the processing of refunds, please refer to the SAP, "Accounts Receivable Processing" Training Manual, [Chapter 5 - "Bill/Payment Processing"](#), or the SAP, "Accounts Payable Processing" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#).

POLICY

All receipts in respect of gifts or donations made to the Province of Manitoba or any agency thereof must conform with the requirements as specified in The Income Tax Act of Canada.

No receipt is to be issued to any donor without the signature of the Minister of Finance or the signature of an appropriate official who has received delegated authority. Authority to issue receipts may be delegated outside of the Department of Finance to an appropriate official, at a level not below Assistant Deputy Minister. In such cases, the delegated department must have in place the appropriate approvals, processes, controls and reporting mechanisms (see "Delegation of Authority from Treasury Board Secretariat" below.)

A donor's gift, offer or intention does not obligate the Crown (Province) to issue a receipt for income tax purposes to the donor. In general, a gift to the Crown should be unconditional (unrestricted), although the donor may provide an express desire rather than specific explicit direction to the willing donee for the use and purpose of the "gift". The Province does not act on behalf of either the taxpayer/donor or the Canada Revenue Agency (CRA).

Receipts may be issued at any time following appropriate "acceptance" and receipt of the gift or donation, and should be issued showing the date of the gift as the day on which the donation was received/accepted, with the correct transfer of title.

The Deputy Minister (or equivalent) of the department receiving the gift or donation is responsible for ensuring the completeness and accuracy of all information required for issuing a receipt to the donor.

See Canada Revenue Agency [website](#) for more information.

Restricted (Conditional) Donations:

There may be instances where a donation is made to the Province on the suggestion of the donor that it be applied to a specific program or purpose. The department must ensure proper authority exists to carry out all conditions set out by the donor.

If there are no legal impediments to accepting a restricted donation, the department should ensure that there are no ambiguities in the conditions, this is normally achieved through a written agreement with the donor.

Departments may receive delegated authority from Office of the Provincial Comptroller (OPC), Treasury Board Secretariat to set up the restricted donation as a trust account, and to deposit funds to that trust account rather than directly to revenue (see "Delegation of Authority from Treasury Board Secretariat" below).

Every department that receives a restricted donation must complete a [Trust Questionnaire Assessment](#) for OPC. Responses to the questionnaire will provide evidence as to its proper accounting treatment under Canadian Public Sector Accounting Standards (PSAS). Based on the evaluation, OPC will assign an SAP general ledger account.

The donation may be reflected as a trust under administration of the Province under PS 1300 Government Reporting Entity, or as restricted assets and revenues account under PS 3100. If the use of the revenue is determined by legislation it would be classified as a special purpose fund or special fund.

Transfers from other governments are not donations and should be accounted for under PS 3410 Government Transfers.

GUIDELINES/CONSIDERATIONS FOR NON CASH DONATIONS

1. Prior to accepting a gift or donation on behalf of the Province, potential recipients must give due consideration to cost ramifications associated with the donation (e.g., appraisal fees, maintenance costs, etc.).
2. It is the responsibility of the receiving department or agency to be satisfied that the amount stated represents the fair market value of the donation at the time it was donated.

The receiving department is not obligated to provide an appraisal service. This is a matter that may be negotiated with the donor. When used, the appraiser should normally be independent, i.e., not associated with either the donor or the receiving institution. The only exceptions to this are:

- when the value of the gift or donation is one thousand dollars (\$1,000.00) or less, the Canada Revenue Agency (CRA) will consider a valuation made by a staff member of the institution accepting the donation providing the staff member is knowledgeable in the particular field and is qualified to appraise the gift at its fair market value before taxes
 - in certain instances where the value of the gift or donation exceeds one thousand dollars (\$1,000.00), the CRA will consider a valuation by a qualified staff member if an independent appraiser is difficult to find, or if it would involve unwarranted expense
3. Departments requiring additional information concerning the issuance of receipts for income tax purposes are advised to contact the CRA directly.
 4. Departments should not accept conditions imposed by the donor for non-cash donations. Non-cash donations are assets of the Province and can be utilized or sold as the Province sees fit. No conditions that restrict this should be accepted.
 5. Only non-cash donations that benefit the Province should be accepted.

GUIDELINES/CONSIDERATIONS FOR CASH DONATIONS

Non restricted cash donations

Deposit funds into the General Account or departmental bank account for subsequent transfer to the Province's General Account. Record the revenue in SAP.

Restricted cash donations

Contact [OPC](#) prior to making the deposit.

PROCEDURES

1. A temporary receipt should be issued at the time of the donation. This receipt must indicate that it is **not** an official receipt for income tax purposes, and does not necessarily obligate the Crown/Province to issue an official receipt for income tax purposes.

2. The receiving department/agency must prepare a written request for the issuance of a receipt by providing the following information:
 - if a cash donation, the date the donation was received
 - if the donation is a gift of property other than cash
 - the date of transfer of legal ownership
 - a brief description of the property
 - the name and address of the appraiser of the property if an appraisal was completed
 - the name and address of the donor, including, in the case of an individual, the first name and initial
 - the amount of a cash donation, or in the case of a donation of property, the amount representing the **fair market value** before taxes of the property at the time the gift was made
 - certification that this is the original and only request submitted for this receipt
3. The request must be authorized by the departmental Deputy Minister (or equivalent), and forwarded to:

Office of the Provincial Comptroller
Treasury Board Secretariat
publicaccounts@gov.mb.ca
4. Upon receipt of the request, OPC will ensure that all required information is provided, and if so, will prepare a receipt that will include the following:
 - a statement that this is an official donation receipt for income tax purposes
 - the name and address of the recipient of the gift
 - the day on which the donation was received
 - a description of the gift
 - the name and address of the appraiser of the property, if applicable
 - the name and address of the donor
 - the amount of the gift, or the fair market value of the gift before taxes
 - the serial number of the receipt
 - the date of issuance of the receipt
5. The signature of the Secretary to the Treasury Board, or delegate, will be obtained and the original receipt will be issued to the donor.

NOTE: Receipts may be sent by email, when doing so the department should take the following precautions to protect its electronic receipts:

- Receipts should be in a read-only or non-editable format
 - The document should be encrypted and signed with an electronic signature
 - The use of a secure electronic signature should be kept under the control of a responsible individual
6. Appropriate records of each transaction, particularly the appraisal documentation related to donations of capital property and a copy of the original receipt issued by the Minister of Finance, are to be maintained by the receiving department or agency for a minimum of six (6) years, in accordance with the Province's records retention policy.

DELEGATION OF AUTHORITY FROM TREASURY BOARD SECRETARIAT

1. Where donations are being sought or are made for specific purposes that may include a trust condition, authority to solicit the donations in return for tax receipt donations and to issue official income tax receipts must be obtained in advance from OPC.
2. OPC will review the request and will, via letter or memorandum, delegate signing authority on approved programs to the Minister of the implementing department. This authority may be further delegated in the department, but to a level not below Assistant Deputy Minister.
3. Each implementing department will advise the Minister of Finance, through OPC, who the delegated authorities are.
4. The implementing department will obtain approval, again through OPC, as to the form of receipt to be used. Departments will then authorize and prepare the official tax receipt(s).
5. The implementing department will, on a quarterly basis, summarize donation receipts issued and report same to the OPC; publicaccounts@gov.mb.ca.
6. On an annual basis, OPC will prepare a report for the Minister of Finance, advising of the total value of receipts issued under each of the approved programs.

This section describes the financial policies and guidelines related to spending decisions.

Spending decisions require both program authority and financial authority:

- Program Authority - arises from the authority to act on behalf of the government. This authority, granted to Ministers in the various statutes they administer, may require the approval of the Lieutenant Governor in Council.
- Financial Authority - where the program action will result in an expenditure of public monies, there must be an authority to spend public monies. This authority is provided in the annual Appropriation Act(s), in specific statutes (e.g., [The Legislative Assembly Act](#)), under subsection 41(3) of [The Financial Administration Act](#) which provides for the payment of judgements against the Crown, and, as necessary, by Supplementary Appropriation Acts or by Special Warrant when the House is not in session.

While the annual Appropriation Act(s) provide the funds, The Financial Administration Act provides the statutory basis for most of the financial practices followed by departments. The Act makes the Minister of Finance responsible for the Consolidated Fund and for the accounts of the province. These responsibilities include directives respecting:

- the rendering of accounts against the government for payment
- the manner of making payments from the Consolidated Fund
- the method of accounting for public monies to be used.

In addition to complying with the financial management requirements of The Financial Administration Act, departmental expenditure initiation procedures must comply with:

- a) Statutory requirements of other Acts of the Legislature, such as:
 - [The Government Purchases Act](#) which establishes the Procurement and Supply Chain Division with authority to arrange for the purchase of any and all commodities of any nature whatsoever that may be required for the use of the various departments,
 - [The Public Service Act](#) which establishes the Public Service Commission with authority to formulate government personnel policy,
 - [The Land Acquisition Act](#) which establishes the Real Estate Services Division (RESA) with authority in all matters relating to the acquisition of property or expropriation of land by any authority, and
 - [The Public Works Act](#) which establishes the conditions for the acquisition of property for public works, the management of public works, and the disposal of surplus property.
- b) The administrative and budgetary directives of Treasury Board, which are outlined in the [General Manual of Administration](#) (GMA).

Departmental expenditure procedures must also ensure that, where required, the approval of the Lieutenant Governor in Council is requested for the proposed expenditure.

Departments are responsible for establishing internal systems relating to initiating and approving expenditures which ensure that their actions are within the authorities granted by the Legislature and

in compliance with the rules established by central agencies. Departmental expenditure systems should include:

- commitment and spending initiation
- account verification and payment requisitioning
- proper coding of transactions for reporting purposes
- verification of goods received or services rendered.

The objectives of expenditure management are to ensure that:

- appropriations authorized each year by the Legislature are not over-expended,
- all spending initiations (e.g., requisitions, direct purchase orders, travel expenses) are consistent with Legislation and directives,
- all commitments are properly authorized before they are entered into,
- departmental systems for receipt of goods, account verification and payment requisitioning are designed to meet all statutory and central agency requirements,
- departmental systems for loans and accountable advances include proper authorization and accounting records,
- departmental systems for grants and transfer payments include proper authorization and accounting records,
- information is recorded so that results of operations may be measured against the plan.

In addition to the accounting policies as outlined in Section [6A-1.3](#), the following should be considered in the development of departmental expenditures/payments/payables systems and procedures:

1. Departments must ensure that no commitment is entered into that is in excess of the amount available in that appropriation ([Section 34 of The Financial Administration Act](#)).
2. Departments are not to enter into contracts/agreements which commit funds beyond the current fiscal year without the approval of the Minister of Finance ([Section 45\(1\) of The Financial Administration Act](#) and the annual Appropriation Act).
3. Where applicable, departments must acquire their goods or services in accordance with the procedures established by the relevant agency, e.g., [Procurement and Supply Chain Division](#), [Communication and Engagement Division](#), [Materials Distribution Agency](#).
4. Departments must ensure that contracts and agreements are properly authorized before they are entered into ([General Manual of Administration](#), "Contracts").
5. Departments are responsible for establishing internal systems which will provide for a properly authorized certification that the goods were received or services performed as per the purchase order or contract.
6. Departments must ensure internal control systems are in operation that meet the requirements defined in [Chapter 4 – Financial Management Process – Controlling](#) and Section [1F-2.0](#).
7. Departments must ensure the accuracy of the invoice, application, or other document submitted by the supplier of the goods or services, and that it is in accordance with legislation and regulations before requesting payment be made from the Consolidated Fund.
8. Departments must ensure the accuracy of all payables, and that they are in accordance with legislation and regulation before processing for payment.
9. Departments must ensure the accuracy of all payables entries in the central financial and accounting system prior to payment.
10. Interest may be paid by the government when:
 - a) it is specified by Legislation or included in a contract, in which case, the terms specified apply (e.g., [The Builders' Liens Act](#)).
 - b) the payment of an invoice has taken in excess of 60 calendar days from the receipt of a valid invoice and where the supplier is subjected to undue delays and hardships as evidenced by direct written request for the payment of interest (See Section [8C-3.1](#)).
11. Departmental ministers must request the approval of the Minister of Finance to open a Disbursement Bank Account for making payments where it is appropriate under the circumstances ([Section 18 of The Financial Administration Act](#)).
12. Departmental systems must include the recording of expenditures for the purchase/construction of tangible capital assets (See [Chapter 9](#) - Assets Management).

13. Departments must prepare and submit monthly, quarterly and fiscal year-end reports, including variance analyses, required for Public Accounts and by Treasury Board and the Provincial Comptroller.

Commitment and spending initiation refers to any action taken by a minister, or an employee authorized to so do, which will or may create an obligation to make a disbursement. These actions may involve:

- a requisition for goods or services
- a request for an accountable advance
- a written contract or agreement
- a request for grant monies or transfer payments
- the hiring of an employee
- acknowledgement of an application for bursary or other like items authorized by statute.

Departments are responsible for the development and implementation of departmental systems which will ensure that:

- proper authority has been delegated for all commitment and spending initiation transactions (See [Chapter 2](#) - "Delegation of Financial Signing Authority"),
- funds have been provided for the purpose of the proposed expenditure (See [Chapter 3](#) - "Financial Management Process - Planning"),
- transactions are processed in accordance with statutory requirements with regard to purchasing (See Section [8B-1.1](#) - "Commitment and Spending Initiation – Legal Basis for Commitment"),
- current obligations are compared with and not allowed to exceed approved funding (See [Chapter 4](#) - "Financial Management Process - Controlling"), and
- payments are made only for purposes intended by the program or appropriation.

Although certain statutes provide for the establishment of a department to carry out specific responsibilities and others provide for the delivery of specific programs, The Appropriation Act (approval of the Budget) provides the funds deemed necessary for the fiscal year in order to carry out these programs.

The annual Appropriation Act is the finalization of the budget (estimates) plan for the new fiscal year. It provides for the expenditures for the fiscal year and includes any sums authorized in The Interim Appropriation Act, which may be passed to provide interim funding until The Appropriation Act is approved.

The approval of funds is by Main Appropriation (vote), and cannot be exceeded. If additional funds are required, it is necessary that they be approved by a Supplementary Appropriation Act, or by a Special Warrant when the House is not in Session (See Section [3C-1.2](#) - "The Estimates Process", and Section [3D-1.0](#) - "Supplementary Supply and Special Warrant").

The Minister's (or other Public Officer's) authority to commit or expend funds may also be subject to approval of:

- the Lieutenant Governor in Council - the formal approval of the Lieutenant Governor in Council is the Order-in-Council, which authorizes the commitment or expenditure of certain funds, e.g., grants, appointment of senior officials.
- Treasury Board - Treasury Board directives provide for Ministerial Pre-clearance or Treasury Board approval of spending in excess of the levels established (See "General Approvals" in the [General Manual of Administration](#)).

Due to the scope of responsibility assigned to departmental ministers by these statutes, it becomes necessary for ministers to authorize and delegate responsible officials to exercise these responsibilities on their behalf. The authority to delegate these powers is contained in [The Executive Government Organization Act](#), which provides for delegation by the minister, upon the approval of the Lieutenant Governor in Council, to any person employed in the department. Implied powers and the exercise of delegated powers are contained in [Sections 32\(1\) through 32\(4\)](#) of The Interpretation Act. The policies and procedures for delegation for financial signing authorities are contained in [Chapter 2](#) - "Delegation of Financial Signing Authority".

Expenditures should be initiated with the approval of the responsibility centre manager. This approval indicates that the expenditure is necessary in carrying out the operational plan. If additional authority is required for a particular action (i.e., Lieutenant Governor-in-Council, Treasury Board or Ministerial approval), the appropriate approval must be obtained before initiating the transaction.

Managers initiate expenditures by requisitioning in one form or another for the resources required. The administrative and financial requirements of the various spending actions are described in the General Manual of Administration, and in the following pages under these headings:

- Regular Purchases - requisitions for goods or supplies ([8B-2.1](#)),
- Contract Purchases - contracts or agreements for goods or services ([8B-2.2](#)),
- Staffing Changes/Payroll - requests for staffing changes and payroll processing ([8B-2.3](#)),
- Grants and Transfer Payments - applications or other form of request ([8B-2.4](#)),
- Travel ([8B-2.5](#)),
- Payment/Reimbursement of Tuition Fees ([8B-2.6](#)),
- Capital Expenditures ([8B-2.7](#)),
- Goods and Services Tax (GST) ([8B-2.8](#)),
- Employee Expense Accounts ([8B-2.9](#)),
- Executive Fleet Vehicles/Automobile Allowances ([8B-2.10](#)),
- Payment of Fees and Commissions ([8B-2.11](#)),
- Postage Meter Replenishment ([8B-2.12](#)),
- Other ([8B-2.13](#)).

Whatever the transaction used, there is a requirement to retain copies of all expenditure documents in the responsibility centre records for the time periods specified by the records retention schedule as outlined in Section [6E-Appendix A](#).

DISTINCTIVE FEATURES

Regular purchases account for the majority of the spending actions throughout the government. They are grouped into two main types:

- those which are requisitioned from or through a government purchasing/supply office. The requisition for goods or request for service is submitted to the appropriate purchasing office, e.g.:
 - [Procurement and Supply Chain Division](#) (PSCD), [Materials Distribution Agency](#) (MDA), and [Vehicle and Equipment Management Agency](#) (VEMA), which provide for the purchase, rental, or disposal of goods.
 - Public Service Commission or department Human Resource Officer (appointed in accordance with [The Public Service Act](#)) who provide personnel services including appointment, promotion and reclassification.
 - [Communication and Engagement Division](#) (CED), which provides advertising placement services for the government and an internal control mechanism over total government advertising cost.
- those which the Responsibility Centre Manager or other authorized employee may initiate to provide for emergency and miscellaneous low unit cost purchase. Such purchases may only be made in one of the following manners:
 - Government Purchasing Card - for small dollar purchases up to \$2,500 (See Sections [8C-3.5](#) and [8C-1.1](#)).
 - Accountable Advance - [The Financial Administration Act](#) gives the Minister of Finance the power to make accountable advances from which expenditures may be made and accounted for at a later date (See Section [8E](#)).

AUTHORITY

Generally, the minister has the power to delegate spending authority necessary for regular purchases. Depending on the total cost of the transaction, Treasury Board approval may be required. Please refer to the [General Manual of Administration](#), Sections on “General Approvals” and “Contracts” for details in this regard.



DISTINCTIVE FEATURES

Contracts/agreements may cover the acquisition, construction or delivery of goods, services, structures or items, which cannot be obtained by using the standard purchase requisition. The contract/agreement is specially drafted to meet the exact conditions of the transaction.

A contract is a legally binding promise/agreement, written or oral, enforceable by law, between Manitoba and a vendor for the supply of goods or services. A “contract” exists, by law, when there is agreement regarding:

1. An Offer (e.g. to sell goods, to perform services)
2. An Acceptance (e.g. agreement to the offer - we intend to buy the goods, accept the services...)
3. Consideration (e.g. further action is taken by one of the parties - the goods are shipped, an invoice is paid...)

Under the law, a contract is a binding legal agreement that is enforceable in a court of law and the contract may be formed whether a written document exists or not. This includes all means under which a contract may be established:

- a written contract (e.g. a written tender issued to a supplier, followed by a written contract, goods or services provided, invoice received and paid accordingly)
- a verbal contract (e.g. pricing obtained by phone, no written agreement exists, the goods or services are provided, invoice received and paid accordingly)
- an informal contract (e.g. pricing obtained verbally/by email, instruction provided to the supplier to provide the goods or services verbally or by email, invoice received and payment made accordingly)
- an implied contract (e.g. purchase made by a Purchasing card (P-card), goods accepted, no invoice received but payment of the transaction is authorized at point of sale, and payment to the banking institution of the P-Card is also authorized)

Departments should use a standard form of written contract except for complex situations. The drafting of special contracts and changes to the standard form should include consultation with Legal Services Branch. The contract should be prepared by persons familiar with the requirements and specifications. The content of the contract should be clear, certain, unambiguous and entirely feasible. The same requirements should apply to any changes.

Any expenditure valued at \$1,000 or more must be generated in SAP as a Purchase Order, which is a form of contract, unless listed in, [Chapter 9.0, Table 1: Exclusions, of the Procurement Administration Manual](#).

Under Section 80 of the [Financial Administration Act](#), the Manitoba government has a legislated responsibility to publically disclose information on all contracts valued at \$10,000.00 or more each month.

AUTHORITY

Contracts are subject to delegated financial authorities and the [General Manual of Administration](#), Sections on “General Approvals” and “Contracts”.

Where the contract is a commitment for expenditures in a future year(s), [Section 45 of The Financial Administration Act](#) requires that the action receive the approval of, or that it be subject to the

guidelines established by the Minister of Finance. The procedures to be followed are contained in the [Quarterly Financial Report - Expenditure and Revenue Forecasts instructions](#) distributed by the Treasury Board Secretariat, Department of Finance.

ACCOUNTING AND MONITORING

When creating a Purchase Order in the central financial and accounting system, a contract category must be selected.

- Tendered: Any contract which is competitively sourced.
- Sole Source: A market-created situation whereby no competitive environment exists.
- Emergency: An actual/imminent life-threatening situation or a disaster resulting in significant loss/damage to Crown Property.
- Direct Award: A non-market created situation whereby Manitoba has imposed certain limitations to a competitive process.
- Continuing Service Agreement: A contractor or third party provides services on behalf of the Government of Manitoba for the delivery of applicable services, often community health and social services. The funding for the contract is provided through a consolidated source. The procurement method may be competitive or non-competitive.

For contracts that are Sole Source or Direct Award, the reasons for not tendering must be documented in the Business Case Tab of the Purchase Order.

Executive Financial Officers are responsible to conduct regular, random reviews of high-risk procurement transactions (e.g. large value, untendered) to ensure internal controls are functioning.

In addition to accounting for the spending action, departments must maintain a record of:

- transactions relating to the purchase of a tangible capital asset (See Section [9F](#))
- instalment payments related to grants and transfer payments.

For more information on contract procurement policy, refer to Chapter 9 of the [Procurement Administration Manual](#).

DISTINCTIVE FEATURES

The Canada Revenue Agency (CRA) has published guidelines when considering engaging services on either a contract or employment basis. The nature of the working relationship as a whole determines the employment status. In addition, the employment status has tax implications and reporting requirements under the [Public Sector Compensation Disclosure Act](#) and the [Financial Administration Act](#) that departments must be aware of and comply with when considering hiring individuals on a contract basis.

The employment status with self-employed/contracted individuals will be either an employer-employee relationship, or a business (independent contractor) relationship.

Incorporation is not “proof” of independent contractor status and conversely the category of employee may include a sole proprietorship, even when incorporated. If incorporated but working exclusively for a single employer and performing activities that an employee would normally perform, the status is most likely employer-employee.

It's recognized there may not always be the need to follow the below procedures to make a determination. In contract agreements with large enterprises, the business (independent contractor) status may be obvious compared to arrangements made with smaller organizations or individuals.

Notes: ‘Individual’ includes a sole proprietorship, even when incorporated. Other terms used by the CRA include Personal Services Business, Dependent Contractors or Incorporated Employee. Regardless of the terminology, this policy and procedure must be followed.

POLICY

Departmental Executive Financial Officers (EFO) are responsible for applying their professional judgement in evaluating the terms of the agreement/contract and the working relationship as a whole in order to determine the employment status, i.e. applying consideration for substance over form.

Employer-Employee Relationship

Where an **employer-employee** relationship exists, the Manitoba Government as the employer must:

- Withhold income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums on amounts paid to employees;
- Remit the amounts withheld, as well as the required employer's share of CPP contributions and EI premiums to the CRA;
- Report the employee's income and deductions on the appropriate information return; and
- Give the employee copies of their T4 slips by the end of February of the following calendar year.
- Adhere to the [Public Sector Compensation Disclosure Act](#).

Business (Independent Contractor) Relationship

Where a **business (independent contractor)** relationship exists:

- Departments must ensure proactive disclosure of contracts as per the [Financial Administration Act](#).

Further, where payment to an independent contractor (combined payments from all departments/sources) exceeds \$500, or income tax has been deducted, the payer must:

- Report the self-employed individual's income and tax deductions, if any, on the appropriate information return; and
- Give the self-employed individual copies of their T4A slips by the end of February of the following calendar year.

Self-employed individuals in a business relationship must pay both shares of CPP contributions. They may also have to pay their income tax and CPP contributions in instalments. Generally, self-employed individuals are not eligible for EI benefits.

PROCEDURES

1. The CRA has published guidelines for determining employer-employee relationships and business (independent contractor) relationships. As each relationship carries with it its own unique tax implications and reporting requirements, departmental EFOs must evaluate the terms of the contract and the working relationship as a whole in order to determine the employment status.

EFOs must apply their professional judgment in considering the following [CRA points](#) in combination with the terms of the agreement/contract:

Control

Generally, in an **employer-employee** relationship, the employer controls, directly or not, the way the work is done and the work methods used. The employer assigns the specific tasks that define the real framework within which the work is to be done. If the employer does not directly control the worker's activities, but has the right to do so, the notion of control still exists. Generally, the payer exercises control if he/she has the right to hire or fire, determines the wages or salary to be paid, and decides on the **time, place and manner** in which the work is to be done.

In a **business** relationship, the payer does not usually exercise control over the worker's activities, that is, the worker can decide how the work will be performed.

Ownership of Tools

In an **employer-employee** relationship, the employer generally supplies the equipment and tools required by the employee. In addition, the employer covers the following costs related to their use: repairs, insurance, transport, rental and operation (e.g., fuel).

In a **business** relationship, workers generally supply their own equipment and tools and cover costs related to their use. When workers purchase or rent equipment or large tools that require a major investment and costly maintenance, it usually indicates that they are independent contractors, because they may incur losses when replacing or repairing their equipment.

Subcontracting Work or Hiring Assistants

In an **employer-employee** relationship, the worker cannot hire helpers, assistants or replacements. The worker has to do the work personally.

In a **business** relationship, the worker does not have to carry out the services personally. He or she can hire another party to either do the work or help do the work, and pays the costs for doing so.

Financial Risk / Opportunity for Profit

Generally, in an **employer-employee** relationship, the employer alone assumes the risk of loss. The employer also generally covers operating costs, which may include office expenses, employee wages and benefits, insurance premiums, and delivery and shipping costs. The employee does not assume any financial risk, and is entitled to full salary or wages regardless of the financial health of the business.

In a **business** relationship, the self-employed individual may make a profit or incur a loss. He/she also covers operating costs. There is no guarantee of a steady income, because the individual's income depends on the results achieved by the end of the contract.

2. An [Employment Status Checklist](#) has been developed based on CRA guidelines for departments to use as one tool for determining independent contractor versus employer-employee status. The [Checklist](#) must be used in combination with the terms of the agreement/contract, knowledge of the working relationship as a whole, and professional judgement.

If the determination is unclear, clarification may be sought by consulting with Human Resources and/or the Central Payroll Office.

Determining employment status and completing the Employment Status Checklist is the responsibility of the contracting department. Central agencies (see [GMA Appendix B](#)) are not responsible for the assessment when acquiring services on behalf of a department.

3. The [Employment Status Checklist](#) is one tool to be used for each particular contract situation entered into. The completed [Checklist](#) **must** be signed by the departmental EFO and maintained on file for ten (10) years from the contract end-date as evidence of due diligence and be available for possible audits by Office of the Provincial Comptroller and internal audit.

Purposeful manipulation of the checklist in order to come to a pre-determined employment status is considered fraud (See Section 9A-2.0).

4. The employment relationship must be reviewed and an [Employment Status Checklist](#) completed to ensure the initial determination continues to be correct. A review must be done:
 - prior to entering into a contract
 - prior to a contract renewal or extension within the same department
 - prior to a contract transfer to a new department
 - prior to a change in the type or nature of the work being provided under the contract

Note that departments should consult with the Procurement and Supply Chain Division and/or Legal Services Branch prior to renewals, extensions or changes to the work being provided under a contract as there may be a need to re-tender in order to adhere to the Manitoba government's obligation for fair and transparent procurement.

5. Where it is determined that a business (independent contractor) relationship exists, departments must ensure that all such payments made in this regard are type-coded "F" or "O" in the central financial and accounting system to ensure that proper T4A requirements are met for Canadian

residents. For non-residents, type codes “M”, “N” and/or “Y” should be used as applicable to meet T4A – NR requirements.

6. If it is determined that in fact there is an employer-employee relationship, individuals must be classified as employees in the central payroll system as soon as possible in order to comply with reporting requirements and CRA.

DISTINCTIVE FEATURES

Staffing changes include actions that result in changes to the salaries and wages of employees or a contract for professional consulting services. These actions are governed by:

- [The Public Service Act](#), which establishes the Public Service Commission with responsibility for applying and carrying out the provisions of the Act.
- Treasury Board, which is responsible for changes to the approved staff complements as well as administrative policy for systems and operations that are central or common to all or a number of departments.

POLICIES AND PROCEDURES

Policies and procedures related to staffing changes/payroll transactions are contained in the:

- [Public Service Commission Policies](#) prepared and distributed by the Public Service Commission.
- [General Manual of Administration](#), Section 23 - "Staffing";
- Financial Administration Manual, Volume 3 Payroll Administration, maintained by Central Payroll Office.

ACCOUNTING

In addition to accounting for the spending action in the central financial and accounting system's Accounts Payable module, departments must comply with the requirements associated with the central financial and accounting system's HR/Payroll module as described in Volume 3 Payroll Administration.

Each year the Legislature approves substantial funds for the payment of grants for goods or services which are not consumed by or directly provided to the government. In addition, expenditures for grants are provided for in certain trust arrangements which may be paid in accordance with the provisions of [The Financial Administration Act](#) and the specific trust agreement. The payment may be made directly to the grantee or to a third party on behalf of the grantee.

Because the legislation and government objectives provide for varying conditions with regard to grant payments, it is necessary to establish categories having similar characteristics.

DEFINITIONS

Grant:

Public money provided to an individual, organization, or another government for a defined purpose, and for which the Province does not receive a good or service. There are three major categories of grants:

- a) **Non-Statutory** - an expenditure for which there is no legislative or other authority requiring that it be made. These generally represent an expression of goodwill or interest by the government, e.g., grants to cultural organizations.

NOTE: This category does not include Hospitality. For the policies and procedures relating to these specialized payments, please refer to the [General Manual of Administration](#), Section 12.2.3 – “Hospitality or Promotion Grants”.

- b) **Statutory - Discretionary** - an expenditure for which there is specific legislation and regulations but which DO NOT set out the terms, conditions or basis for calculating the grant, e.g., Agricultural Societies.
- c) **Statutory - Non-Discretionary** - an expenditure for which there is specific legislation (and regulations) that sets out the terms, conditions or basis for calculating the grant, e.g., Municipalities in lieu of taxes, Children's Aid Societies (Purchased Services), School Grant Foundation and Equalization Program.

Transfer Payment:

Public money provided to a government agency created by statute; the board members of which are all, or mostly all appointed by the Province for the administration of a grant program, e.g., Public Schools Finance Board.

Transfer payments received but not expended as of March 31 of each year must be returned to government no later than April 30 or such later date as assigned by Manitoba Finance. Transfer payments are not to be placed in a reserve account for future use by the recipient. They can be drawn down from appropriations only to pay for goods and services received or rendered for the fiscal year for which the funds were approved.

PROGRAM (LEGISLATIVE) AUTHORITY

1. Authority for grants is given either:
 - a) by a specific provision in a statute, e.g., The Minister of Finance, on the requisition of the Minister, may make grants to _____, or,
 - b) by approval of the Lieutenant Governor in Council of the Minister's recommendation that a grant be made, in which case an Order-in-Council is required.
2. Authority for transfer payments is provided by specific legislation:
 - a) providing that the Minister of Finance, on the requisition of the minister responsible for the government agency, may make disbursements to the agency established for delivering certain services (e.g., Public Schools Finance Board), or
 - b) empowering the Minister of Finance, with the approval of the Lieutenant Governor in Council, to make disbursement to a government agency established for delivering certain services (e.g., Manitoba Health Research Council), in which case an Order-in-Council is required.

FINANCIAL (BUDGETARY) AUTHORITY

Budgetary approval (see [General Manual of Administration](#), Section 12 – “Grants”) is required for all grants and transfer payments made out of an appropriation. This may be given:

- a) as part of the Estimates process during which a department or agency submits to Treasury Board a list of the intended grants to be made showing the recipient and the amount of each grant,
- b) by Treasury Board approval of an individual submission providing the details of the proposed grant(s). This approval must be received prior to recommending to the Lieutenant Governor in Council, if applicable, that the grant or transfer payment be made.

ACCOUNTING

In addition to accounting for the spending action in the Account Payable module of the central financial and accounting system, departments must maintain a record of the payments processed in those instances where instalment payments are made.

The special processing and accounting requirements are detailed in Section [8B-Appendix B](#) - "Grants", and [8B-Appendix C](#) - "Transfer Payments".

For further information on grants, see the [Grant and Other Funding Accountability Guide](#).

POLICY

Travel expenditures include trip and other expenses paid directly to an organization providing travel services or those that may be reimbursable to an employee. They may be paid:

- **preferably and wherever practical**, with the government's American Express (AMEX) corporate travel charge card (see Section [8B Appendix A](#))
- in **restricted** instances dictated by need, i.e., where use of the government's corporate travel charge card for charging expenses or accessing an Automated Banking Machine (ABM) cash advance is impractical, out of an accountable advance (see Section [8E](#))
- with the Vehicle and Equipment Management Agency's (VEMA) Fuel Card when driving a government fleet vehicle (see the "Fleet Vehicles" policy outlined in the [Procurement Administration Manual](#))
- with other oil company cards as issued by departments for obtaining fuel and minor repairs for a departmental vehicle by the designated employee operator
- by the employee, typically for minor amounts, who will be reimbursed upon submission of an authorized expense claim.

NOTE: 1. Employees must ensure that the government **does not** incur any additional costs as a result of personal payment of expenses, including failure on the part of the employee to avoid the Goods and Services Tax (GST) in circumstances where government expenditures are normally GST exempt.

Employees must ensure that GST charges on airfare and hotel accommodation are minimized, wherever practical, through the use of the AMEX Business Travel Account (BTA) or direct billing to the department and that charges for optional collision insurance coverage for rental vehicles are avoided by charging the cost of the rental to the American Express Corporate Card which provides the insurance free of charge.

Employees must provide adequate justification for when GST cannot be avoided, including when the BTA or direct billing are not used.

2. To allow for tracking of vendors in those instances when the payment is not issued to the vendor directly supplying the good or service, departments should utilize the "for account of" field available in the central financial and accounting system.

For example, when using the American Express corporate travel card, the AMEX Bank of Canada is generally not considered to be a supplier/vendor, but rather a payment mechanism. Therefore, all payments made to the AMEX Bank of Canada must use the "for account of" field as follows:

- a) **For Airfare** - "for account of" the travel agent; or if no travel agent was used, "for account of" the airline
- b) **For Hotels** - "for account of" the hotel
- c) **For all other expenses** - "for account of" the traveller (employee)
- d) **For interest on overdue accounts** - "for account of" the credit card company (AMEX Bank of Canada), with an indication in the text field to "Interest" or "Late Payment"

The policies, conditions and rates for all allowable travel and related expenses incurred by employees while engaged in government business have been established by Treasury Board. For details in this regard, please refer to the [General Manual of Administration](#).

Canada Revenue Agency (CRA) [taxation guidelines](#) regarding employer-paid educational costs and the reimbursement thereof are as follows:

- When training is taken primarily for the benefit of the employer, there is no taxable benefit.
- When training is taken primarily for the benefit of the employee, a taxable benefit arises.

POLICY

1. If the tuition fees paid by the government (or reimbursed to the employee) are a taxable benefit according to the CRA guidelines above, the amount paid must be included in the employee's income in the year the payment is made, i.e., a T4 tax information slip must be issued to the employee.
2. If the tuition fees paid by the government (or reimbursed to the employee) are not considered to be a taxable benefit per the above, the employee is not entitled to claim the non-refundable tax credit on the tax return for those fees, nor can they claim the education deduction amount.

NOTE: In most instances where tuition is partially reimbursed, it is generally in recognition of the benefit to the employer. In such instances, the reimbursed amount should be considered non-taxable.

3. In those instances where payment/reimbursement of tuition fees by the government is 100%, the employee must turn over the original tuition receipt to the government. If the employee does not remit the receipt, it will result in the need to type code the transaction (see Section [8C-3.6](#)), and a T4 tax information slip will be generated for that employee.
4. In those instances where payment/reimbursement of tuition fees by the government is less than 100%, the requirement to turn over the original tuition receipt to the government must be waived, as the employee will need to attach the original receipt to his/her tax return in order to claim that portion of the tuition fees not paid for by the government.

However, the employee must be aware that he/she is not entitled to claim that portion of the tuition fees that was paid by the government. For example, if the government agrees to pay for/reimburse 75% of an employee's tuition fees, the employee is only entitled to claim 25% of the tuition fees on their tax return, not the entire 100%.

To ensure compliance with CRA guidelines in this regard, all persons applying for and receiving educational financial assistance from the Province are required to sign a declaration form stating that they will not claim that portion of their education that was paid for by the Province. This declaration form will be maintained on the employee's file in the event that a dispute from the CRA arises regarding this matter (see page 2 following).

PROCEDURES

1. Ensure that all employees applying for and receiving educational financial assistance from the Province have completed and signed the declaration form (see page 2 following).
2. Once signed, provide the employee(s) with a copy of the authorized declaration form, and attach the original to the educational financial assistance application form, which is to be maintained on file with the departmental Human Resource Office.

3. If an educational financial assistance application form was not used, provide the employee(s) with a copy of the authorized declaration form, and forward the original to your departmental Human Resource Office, where it is to be maintained on file as evidence of course attendance and financial assistance.
4. Attach a copy of the declaration form to the tuition invoice/employee expense account, to be submitted with all other applicable documents required for payment/reimbursement.

NOTE: If the reimbursement is for 100% of tuition, the employee must also attach the original tuition receipt to their expense account. This original receipt is to be retained as part of departmental records. If the employee does not remit his/her original tuition receipt, the transaction must be type coded (see Section [8C-3.6](#)), resulting in a T4 tax information slip being issued at calendar year end.

PROVINCE OF MANITOBA EDUCATIONAL FINANCIAL ASSISTANCE DECLARATION FORM	
Department _____	
Branch _____	
Employee Name _____	Employee Number _____
This is to certify that I have received, or will be receiving, educational financial assistance from the Province of Manitoba in the amount of \$ _____, to cover costs associated with the following program of study: (Please provide details of study program, i.e, length of program, dates, etc.) _____ _____ _____ _____ _____	
I acknowledge and agree that the Province of Manitoba has contributed _____% of the above costs, and that I am not allowed to claim, for income tax purposes, that portion of the above costs paid for on my behalf by the Province of Manitoba.	
_____ Date	_____ Employee Signature
	_____ Authorized Officer Signature



Capital expenditures form a significant proportion of the expenditures of the government and are therefore identified separately in the Public Accounts. This information is essential on a national and international basis in matters of government financing. It is therefore necessary for departments to identify transactions of capital expenditure and to record and process them as set out in this manual. For further details on Tangible Capital Assets (TCAs), please refer to [Chapter 9F](#).

POLICY

In order to acquire, construct or develop TCAs, departments must have the authority to do so through the Part B Capital Budget of the Estimates of Expenditure. Departments that do not have this authority must request Treasury Board Secretariat (TBS) approval for supplemental funding in Part B. If all or a part of the funding authority currently resides in a Part A operating appropriation, these funds should be encumbered by the department.

Costs relating to the acquisition or construction of tangible capital assets **must not** be charged to Part A Operating Expenditures of the Estimates of Expenditure. Such costs should be reflected by the proper coding of all requisitions/purchase orders, etc., to an asset master record in the central financial and accounting system (SAP), and **not** to a cost element or cost centre. The only portion of a TCA acquisition/construction that is to be recorded as an expense in Part A is the annual amortization charges, which represent the use of the asset over its useful life.

For further details, please refer to [9F-3.0](#).

Departments must identify and record transactions of capital expenditure into one of the asset classes (for further details, please refer to [9F-9.0](#)). The intent of the policy and the related procedures is not to cause an undue amount of record keeping and administration, but to reflect as closely as possible all capital expenditures.

DEFINITION

Capital Expenditures - expenditures relating to the acquisition and construction of TCAs that have a useful life greater than one year. This includes:

- purchase of real property and/or chattels
- construction (external) of buildings or other chattels
- self-construction of buildings and/or chattels
- improvements/betterments to real property and/or chattels that prolong the economic life of the asset by one year or greater
- vehicles
- aircraft and vessels
- machinery and equipment
- road construction and maintenance
- computer hardware and software (including mainframe, mini, personal computers, major applications, off-the-shelf software, etc.)
- furniture

Capital expenditures also include the repayment of the principal portion of debt where the debt was incurred to acquire, construct or improve a physical asset, the acquisition cost of which was not previously charged as an expenditure out of the Consolidated Fund.



Grants and assistance payments or portions thereof made to municipalities, school divisions and other government and external agencies, commercial organizations and private individuals for the purchase, construction or improvement of physical assets are deemed capital expenditures of the Province.

NOTE: *Improvements/betterments* refers to those improvements which prolong the economic life of the asset, lower the associated operating costs, or substantially improve the quality of the output. Cosmetic improvements are **not** included within this context. For details, please refer to [9F-3.0](#).

GUIDELINES

In addition to the above definition, there are specific **dollar value capitalization limits** established which represent the minimum acquisition cost an item or project must meet in order to be recorded as a TCA in that particular asset class. For details, please refer to [9F-9.0](#).

SALARY EXPENDITURES - CAPITAL

Direct salaries and wages applicable to capital projects must be identified as capital expenditures, as in the case of self-constructed assets.

Where the salaries in a unit relate to a combination of capital and current expenditures, a **reasonable approximation** of the capital expenditure portion is acceptable. This is in keeping with the intent of the policy and procedures. The basis upon which an approximation is made must be concurred with by senior departmental management and reviewed and confirmed annually.

INTEREST EXPENDITURES AND CARRYING CHARGES

Any carrying costs (interest) associated with either an in-house construction or in-house systems development project where the projected costs exceed \$20 million and development time exceeds one year, should be capitalized as part of the capital asset cost until the asset or system is ready for productive use. Capitalization of carrying costs should generally cease at that point.

However, interest costs will continue to be capitalized as part of the asset cost for those projects that meet the foregoing criteria and have been put into service, but require further work to complete the asset, or to realize the full potential of the project. In this case, the additional interest to be capitalized applies to the additional costs incurred from the date of placing the asset into productive use, not the total cost of the project.

For further details, please refer to [9F-6.0](#).

POLICY

Under *The Constitution Act* of Canada, the Province of Manitoba and its agencies are exempt from paying the Goods and Services Tax (GST) and Harmonized Sales Tax (HST). In order to qualify for exempt status, departments and exempt agencies should ensure that the following statement is communicated to its suppliers with each purchasing arrangement:

EXEMPTION STATEMENT	
Province of Manitoba	Registration Number R107863847
This is to certify that the property and/or services ordered/purchased hereby are for use of, and are being purchased by	
Department or Agency	
with Crown funds and are therefore not subject to the Goods and Services Tax (GST) and Harmonized Sales Tax (HST).	
Signature of Authorized Official	

A list of Province of Manitoba agencies exempt from the GST/HST can be obtained from the [Taxation Division, Manitoba Finance](#). When a new agency is created, departments are to contact the Taxation Division, Manitoba Finance, in order to determine if the new agency qualifies for GST/HST exempt status.

GOVERNMENT PURCHASES

When the Province issues a purchase order, receives the invoice and pays the amount directly with its funds, the purchase is exempt from GST/HST. Also, when the Province has an arrangement with a supplier (e.g. a service contract, or a standing offer agreement), and a purchase order has not been issued, the purchase can still be exempt from GST/HST if:

- the supplier was provided the exemption statement at the time the agreement was reached
- the invoice is being sent to the Province
- the Province pays the supplier directly

EMPLOYEE PURCHASES

Depending on the method of payment, certain purchases made by employees may also be exempt from GST/HST. These purchases qualify for exempt status under the following conditions:

- when the employee uses a signed cheque charging a government account
- when an employee uses a government-authorized credit card where the government is the legal holder of that card, and the monthly statement is sent to the government, not the employee
- when the invoice is being sent to the Province, for direct payment to the supplier

NON-EXEMPT PURCHASES

In accordance with the Reciprocal Taxation Agreement with the Government of Canada, the Province has agreed to pay the GST/HST on purchases where a third party pays for the supply and is reimbursed by the government, or the third party has received a cash advance for the purchase. This situation normally occurs when employees are travelling on government business, incur expenses and are reimbursed, or have received an advance prior to the commencement of the trip. It can also occur where the Province pays directly, but the payment is on behalf of an employee (e.g., memberships in professional organizations and moving costs incurred by newly-hired employees). In all of these situations, the Province is obligated to pay the GST/HST despite the fact that the Province is billed and is paying the supplier directly.

In certain other situations, petty cash purchases are also subject to GST/HST. If the employee pays for the purchases and is then reimbursed, or has received a cash advance, the purchase will be subject to GST/HST because the employee made the payment, not the Province.

POLICY

The payment of employee expense accounts exists to reimburse employees for actual expenses incurred while on government business, generally when away from the employee's headquarters, except when an allowance in lieu of actual expenditure is made. The policy on allowable employee expenses is maintained by Treasury Board, and can be referenced in the [General Manual of Administration \(GMA\)](#).

PROCEDURES

1. Employees (i.e. claimants) are required to complete and sign the [Manitoba Expense Claim](#) form for all allowable expenses they are claiming. All pertinent information and supporting documentation (e.g. pre-approvals, details of conference expenses, relocation estimates, etc.) must be provided, and the claimant must attach all applicable receipts to the form.
2. If the employee incurred private vehicle mileage, the "Statement of Private Vehicle Distance" portion of the form must also be completed in entirety, including all pertinent information and total distance expensed since April 1 of the same fiscal.
3. The completed form with all supporting documentation and receipts must be submitted to the authorized supervising officer for review. The supervising officer with the appropriate level of spending authority is responsible for ensuring appropriate completion and supporting documentation of the expense claim form and/or Private Vehicle Distance Statement for compliance with expense claim policy and procedures. The package must be reviewed by the EFO/delegate and can then be forwarded to the departmental Accounts Payable section for processing and payment.

Expense claims are to be submitted at least quarterly with the exception of significant claims which are to be submitted monthly.

4. A claim can only be processed if both the claimant and appropriate delegated spending authority have signed the completed expense claim form. The claim is to be processed as a non-PO based invoice, with the choice of vendor being an Employee Vendor (EMPV) and document type KR.

NOTE: All employees who receive their payroll by direct deposit to their bank account will also receive reimbursement for any approved business or travel expenses by direct deposit. This includes such reimbursements as petty cash or other accountable advance payments, except where payment by cheque has been authorized by the department. These business and travel expense reimbursements will be deposited into the same bank account as the employee's salary/payroll payment.

Those employees currently not receiving their salary payment by direct deposit will continue to have their approved expenses paid by cheque.

Employees on the Managed Environment network who receive reimbursement for expenses by direct deposit, will receive the associated Remittance Advice via their government email account. Any new or existing employees who are not on the Managed Environment will be required to provide a personal email address in order for any expense-related direct deposit Remittance Advice to be provided by email.

5. The departmental EFO is responsible for ensuring compliance with expense claim policy and procedures.

For further details on the processing of employee expense accounts, please refer to the SAP, "Accounts Payable Processing" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#).

POLICY

The [Vehicle and Equipment Management Agency \(VEMA\)](#) is able to provide all departments with government fleet vehicles in accordance with their temporary or long term requirements.

Policy guidelines regarding fleet vehicles are outlined in the [Procurement Administration Manual](#). The conditions under which employees may utilize government fleet vehicles are outlined in the [General Manual of Administration \(GMA\)](#).

Ministers while conducting departmental business (not constituency business) have a choice from three options:

1. Use an executive fleet vehicle from VEMA.
2. Use a privately-owned vehicle and receive a \$880.00 taxable monthly automobile allowance, plus a taxable allowance for business kilometres at \$0.11 per kilometre (effective January 1, 2023)
3. Use a privately-owned vehicle and be reimbursed for business distance in accordance with the [Members' Allowances Regulation](#). Payments under this option are deemed to be reimbursements for vehicle expenses incurred, and are non-taxable.

Deputy Ministers have a choice from three options:

1. Use an executive fleet vehicle from VEMA.
2. Use a privately-owned vehicle and receive a \$880.00 taxable monthly automobile allowance, plus a taxable allowance for business kilometres at \$0.11 per kilometre (effective January 1, 2023)
3. Use a privately-owned vehicle and be reimbursed for business distance at the public service rates available to all government employees, in accordance with the rates [in Appendix E of the Manitoba Government Employees' Master Agreement](#). Payments under this option are deemed to be reimbursements for vehicle expenses incurred, and are non-taxable.

The automobile allowance under option 2 is effective the first day following the day the Deputy/Minister turned in his/her fleet vehicle and elected to use a privately-owned vehicle. The automobile allowance will be prorated over the number of days remaining in the month in which the vehicle was turned in to the Vehicle and Equipment Management Agency (VEMA).

Those departments whose Ministers are giving up their fleet vehicle and electing to use a privately-owned vehicle must advise the Human Resource Director, Legislative Assembly, so that the necessary adjustments can be made to the Minister's income tax calculation for Members of the Legislative Assembly (MLA) remuneration.

The payment of the monthly allowance will be made through the central Payroll System annualized and deducted over the number of pay periods in the year. The mileage allowance under option 2 and the mileage reimbursement under option 3 are paid through the Central Accounts Payable system via submission of the Private Vehicle Distance Statement portion of the [Manitoba Expense Claim](#) form.

ACCOUNTING

All automobile allowances, because they are paid through the Central Payroll System, will initially be charged to the Deputy/Minister's cost centre. In order to ensure that only salaries are reported in salary appropriations, departments are required to make the necessary entries to transfer the "automobile allowance" from the salary appropriation to the applicable other expenditure appropriation(s).

This transfer should be made once a year, no later than the date specified in the annual [Fiscal Year-End Financial Administration Information Circular](#) (FAIC).

POLICY

The Minister of Finance, may, through the provisions of [Section 17 of The Financial Administration Act](#), authorize the payment of fees or commissions to the following:

- persons serving as agents for departmental "own-source" revenue operations
- collection agencies
- credit/debit card companies, and alternative receipt systems

NOTE: Departments must contact the Department of Finance, Treasury Division at BankingServices@manitoba.ca prior to entering into arrangements with any of the above.

Revenue Agents

Persons serving as agents for departmental "own-source" revenue operations are paid commissions by the government for the collection of various forms of revenue. Such agents retain a pre-determined portion of the revenue collected as their commission and remit the balance collected to the government ([7C-1.0](#)). The amount remitted to the government is to be deposited to revenue. For detailed procedures regarding the deposit of revenue, please see Section [7C-1.2](#).

The amount withheld by the agent(s) is to be reported at fiscal year-end to the Office of the Provincial Comptroller, Treasury Board Secretariat for publishing in the Public Accounts. For detailed procedures regarding this requirement, please refer to the current [Fiscal Year-End Instructions - Financial Administration Information Circular](#) (FAIC).

Collection Agencies

Collection agencies are used by the government to collect outstanding accounts receivable when all other forms of collection have been exhausted. Generally, such agencies will deduct their fee from the remittances of collections. The fee is considered to be an expense of collecting the receivable, and must be charged to a relevant appropriation. The gross amount collected is to be applied as a reduction to the receivable, with any remaining balance in the receivable to be written-off against the appropriate allowance for doubtful account, or if none has been established, directly against the appropriation. For detailed procedures, please see Section [7E-3.1](#).

Credit/Debit Cards

Fees paid to credit/debit card companies and other alternative receipt systems are viewed as an expense of conducting business, and should be charged to the departmental operating appropriation (Please see Section [7A-3.0](#)).

With both credit and debit card arrangements, the financial institution involved will simply debit the specific target bank account for the credit/debit card fees, and provide the department with a statement detailing such fees accordingly. This transaction **should not** involve a payment process.

In such instances, the net amount is to be recorded as a deposit in the central financial and accounting system, with the gross revenue and expenses recorded by the deposit transaction as shown in the following example:

Example: Revenue collected is \$100.00; bank service charge of \$5.00 is debited to the bank account:

Entry:	dr Bank	\$ 95.00
	dr Cost Centre	\$ 5.00
	cr Revenue	\$100.00

DISTINCTIVE FEATURES

Within the government there are a number of postage meters in use in addition to those under the control of the Materials Distribution Agency. Because the Canada Post Corporation operates entirely on a cash basis rather than a billing basis for the purchase of postage, special purchase procedures are required. Section 44(1)(a) of *The Financial Administration Act*, states:

"44(1) *No payment shall be made out of the Consolidated Fund for the supply of goods or services unless a certificate is given by a person referred to in subsection (2)*

(a) that the goods or services have been supplied and that the payment is according to contract, or, if not specified in the contract, is reasonable;"

POLICY

In order to comply with the provisions of *The Financial Administration Act* and Canada Post Corporation regulations concerning postage meters, departments are required to produce a cheque payable to the Canada Post Corporation, c/o the particular cost centre, and physically purchase the required postage. Departments must maintain a separate record of all such purchases, including the Canada Post receipt.

- NOTES:**
1. There may also be situations where postage meters may be replenished on-line, via "Postage By Phone". In such situations, the cheque is to be made payable to the vendor ("Postage By Phone"), again, c/o the particular cost centre. A separate record of all such purchases must also be maintained.
 2. All postage-related payments must utilize totalized account "47".

Other expenditure transactions not covered under previous sections include:

1. **Petty Cash Fund** - a long term advance may be requested for a petty cash fund to provide a source of money for payment of small and miscellaneous items for which the time and cost involved in raising a cheque would be excessive. Petty cash funds generally should not exceed \$200.00, and all amounts should be maintained in secure areas. Petty cash funds may be reimbursed as often as necessary. All disbursements must be supported by signed invoices where applicable. For accountable advance details, please see Section [8E-5.1](#).
2. **Consulting Contracts** - advance Treasury Board approval is required in instances where the amount of the contract exceeds those limits established by Treasury Board for consulting contracts.
 - a) **Fee for Service Contracts** - the administrative policies and procedures are detailed in the [General Manual of Administration](#), Section 9 – “General Approvals and Contract Requirements”.
 - b) **Employment Contracts** - the administrative policies and procedures are detailed in the [General Manual of Administration](#), Section 22 – “Staffing”.
 - c) **Acquisition of Legal Services** - the administrative policies and procedures are detailed in the [General Manual of Administration](#), Section 7 – “Legal Services Branch”.
3. **Electronic Systems and/or Equipment** - review and approval by [Digital and Technology Services](#) (DTS) is required. Departments should contact DTS regarding the administrative policy and procedures.
4. **Advance Payments for Subscriptions or Registration Fees** - Ministerial or Deputy Minister approval is required for all payments made in advance of a periodical subscription, or a course, conference or other registration fee that exceeds \$2,500.

POLICY

Government departments, agencies and commissions are required to pay Manitoba Provincial Sales Tax (PST) (also known as Manitoba Retail Sales Tax – RST) on all purchases of taxable goods or services.

Many out-of-province vendors are registered to collect Manitoba PST. When goods are brought into the province, departments simply pay the PST at source, as they would to a local supplier. If the taxable goods or services are purchased from out-of-province suppliers that have not collected Manitoba PST, sales tax is still payable, and the department purchasing the goods or services must calculate and pay the sales tax directly to Manitoba Finance, Taxation Division.

Government departments that purchase goods for distribution to other government departments and then charge the other government departments for these goods on a “cost recovery” basis are not considered to be selling those goods. The department purchasing the goods is required to pay PST when they purchase the goods, but they are not to collect PST on the interdepartmental charge, as this transaction is deemed to be a “cost recovery” and not a sale. Even if the amount charged as a “cost recovery” includes an overhead amount covering costs incurred to purchase and distribute the goods, it is not considered to be a sale. The interdepartmental charge should be identified as a cost recovery and not as a sale, so it is clear why PST was not applied on the charge.

Goods and services acquired from Crown Corporations are considered sales, and as such, PST applies as in any other commercial transaction.

For further details on the payment of Manitoba Provincial Sales Tax, please contact Manitoba Finance, [Taxation Division](#).

GENERAL

The Government of Manitoba has contracted with American Express Canada Inc. for the provision of a corporate travel charge card system.

The system provides billing account numbers and individual plastic cards for charging travel-related expenses, as well as cash access from automated banking machines (ABM's) where use of the card at the point of sale is not feasible.

The system provides substantial flexibility in respect to departmental implementation. Options within established parameters are permitted relative to account structure, billing cycle, billing and payment procedures, ABM cash access, management information reports, and employee enrolment.

The agreement between the government and American Express precludes the need for any investigation by American Express of an applicant's credit rating.

SYSTEM APPLICATION

The American Express corporate card system should constitute the **primary means** for effecting payment of eligible expenses incurred by employees on authorized government business. Eligible expenses include:

- all legitimate transportation, accommodation, and meal costs arising as a consequence of employee travel whether or not incorporated in a travel per diem allowance, **excepting fleet vehicle costs** for which vehicle-specific credit cards are provided;
- travel costs assumed by government on behalf of third parties; and
- government-approved meal and hospitality costs not relating to travel.

The corporate card system should replace the use of government cash advances for travel-related purposes except in those particular instances where requirements cannot be satisfied effectively through merchant acceptance of the card **or** through access to ABM cash advances.

An employee personally funding eligible expenses will subsequently be reimbursed by the government **providing that no additional cost to government is incurred as a result**. This includes failure on the part of the employee to avoid the GST in circumstances where government expenditures are normally GST exempt, and charges for optional collision insurance coverage for rental vehicles which could have been avoided through use of the American Express Corporate Card.

LIABILITY

As specified in the contract between American Express Canada Inc. and the Government of Manitoba, liability for expenses charged on the American Express corporate card system is shared between the government and individual cardholders. This is referred to as "Joint and Several Liability". Nevertheless, the terms of the agreement negotiated between American Express and the government provide that the government's liability is limited to legitimately incurred business expenses only. **The government retains the right to invoke a waiver of liability** in instances where:

- a) illegitimate expenses are charged on the corporate card system; or
- b) where a cardholder has received reimbursement from government but has failed to remit payment to American Express.

Individual cardholders will be solely responsible for the full amount of such charges excepting those arising as a result of fraudulent use of a lost or stolen card.

The government's waiver of liability covers all unauthorized charges billed within 75 days preceding notification to American Express and any charges thereafter.

Upon notification to American Express by either the government or individual cardholder, a disputed charge will be held in abeyance by American Express without attracting late payment penalties pending satisfactory settlement of the dispute.

POLICIES

1. Implementation of a corporate travel charge card system does **not** affect prevailing government travel policy regulating the type and amount of expenses allowable on government business or the manner in which such expenses are properly accounted for.
2. Cards are to be used for **legitimate business purposes only**. Personal charges should be avoided at all times, and any such charge incurred shall be the sole responsibility of the individual cardholder.
3. The American Express system is the preferred method for paying eligible expenses. The availability of cash advances issued by government for travel or entertainment purposes is **restricted to those instances dictated by need**, i.e., where use of the card for charging expenses **or** accessing an ABM cash advance is impractical.
4. Departments shall establish guidelines for eligibility for the card and for regulating access to ABM cash advances.
5. **Late payment penalties are to be avoided** by complying with payment terms negotiated between the government and American Express. To avoid penalties, payment must be received by American Express **prior to issuance** of a third consecutive statement (the "60-day" statement) on which the same charge(s) appear. Late payment charges are reimbursable to employees only to the extent that the charges were incurred through no fault of the employee.
6. Charges relating to cash advances obtained with the card are reimbursable to employees to the extent that the charges pertain to government business and are reasonable in the circumstances.
7. Goods and Services Tax (GST) incurred is a legitimate and reimbursable expense **except** in those circumstances where routine departmental procedures provide a cost-effective alternative payment method that normally avoids GST.
8. Vehicle rental collision damage insurance coverage shall not be purchased in circumstances where this expense can be avoided by charging the cost of the rental to the American Express Corporate Card.

9. Cardholders are responsible for understanding and abiding by all the terms and conditions of being a cardholder and for administering the card in all respects as a personal charge card.
10. Upon termination of employment or upon request of the departmental co-ordinator, an individual cardholder must surrender his/her card. To ensure that expenses are accurately tracked in accordance with the reporting structure established by departments, individual cards will be surrendered when an employee transfers from one department to another on a long-term basis.
11. Departments shall maintain appropriate records of assigned charge cards including the limitations pertaining to each.

ROLES AND RESPONSIBILITIES

Departmental Senior Financial Officer

Departmental financial officers and program managers are responsible for determining which employees are to receive corporate travel charge cards. The widest distribution among travelling employees will provide the greatest potential cost savings to the government.

Jointly and severally with employees, departments are responsible for outstanding charges, unless they exercise the waiver request, at which time the card is automatically cancelled.

American Express does not impose spending limits, but, at their discretion, departments may establish spending limit guidelines for their employees. Monitoring may be carried out by departments based upon the management information provided at regular intervals by American Express.

Departments may monitor their employees' accounts and take appropriate action to deal with any cardholder difficulties. Revocation of cards should be preceded by consultation with the employee and American Express.

Each department must appoint a Corporate Card Co-ordinator.

Departmental Corporate Card Co-ordinator

The Card Co-ordinator acts as the primary link between the department and American Express. Key functions would normally include:

- managing the card application and cancellation processes for departmental employees;
- acting in an general liaison capacity between departmental employees and American Express, including taking necessary action with respect to lost or stolen cards;
- receiving the management information reports supplied by American Express for review and/or internal distribution purposes;
- maintaining records of cardholding employees within the department; and
- retrieving employee cards as appropriate.

Cardholder

Each individual is responsible for the corporate card issued in his/her name. Cardholders are responsible for understanding and abiding by all the terms and conditions of being a cardholder, including:

- claiming reimbursement for authorized expenses on a timely and systematic basis to avoid incurring late payment penalties which become applicable if full payment of an outstanding balance is not remitted to American Express prior to issuance by American Express of a "60-day" statement;
- ensuring that the card is used directly with the merchant wherever possible and that cash advances are kept to a minimum;
- fulfilling all insurance claim processing requirements as stipulated by American Express; and
- safeguarding and administering the card in compliance with government policy.

ACCOUNTING

American Express (AMEX) Bank of Canada is the name of the credit card company associated with the American Express Corporate Travel Charge Card. AMEX Bank of Canada is not generally considered to be a supplier of the government, but rather a payment mechanism. Therefore, although the payment must be made to the AMEX Bank of Canada, the appropriate "for account of" vendor field must also be used, reflecting the vendor who ultimately receives the monies, as follows:

- **For airfare** - "for account of" the travel agent; or if no travel agent was used, "for account of" the airline.
- **For hotels** - "for account of" the hotel.
- **For all other expenses** - "for account of" the traveller (the employee).
- **For interest on overdue accounts** - "for account of" the credit card company (AMEX Bank of Canada), with an indication in the text field to "Interest" or "Late Payment".

This section details the special requirements related to the approval of grant requests and accounting for the expenditure.

AUTHORITIES REQUIRED

- Treasury Board approval is required for all grants.
- Expenditure (program) authority for grant expenditures is provided in specific Legislation. Where required, this authority may also be granted upon the issue of an Order-in-Council, signed by the Lieutenant Governor in Council, authorizing the grant.
- Financial (budgetary) approval is obtained as part of the Estimates process where grants are listed separately, by Ministerial Pre-clearance when grouped in the Estimates listing or by individual submission to Treasury Board. See Section 12 – “Grants” in the [General Manual of Administration](#) (GMA).

POLICIES

1. Regulations pursuant to the specific Act or departmental policy and procedures should set out applicable terms and conditions for each grant program, such as:
 - the form of application and the required supporting information such as incorporating documents, current licence, detail budgets and financial statements
 - the conditions to apply to any grant payment such as accounting for and reporting on the use of grant monies, audit requirements, cost-sharing arrangements, and return of unused or unmatched funds
 - the payment arrangements and
 - the formulae, or other base, used to calculate the amount of the grant.
2. The degree to which a grant program or a particular grant is regulated and controlled will be dependent on the program, the recipient(s), and the amount. The control responsibilities that apply to grants are:
 - the requesting Minister is responsible for ensuring that:
 - the applicant's objectives are acceptable
 - the applicant is capable of fulfilling these objectives and
 - the applicant will provide accountability for the funds in accordance with the conditions of the grant.
 - the requesting department is responsible for:
 - obtaining the required documentation for each grant application
 - establishing an appropriate cash flow based on the nature and/or purpose of the grant

- establishing systems for recording and controlling instalment payments and
- establishing procedures to ensure that:
 - funds provided are used for the purpose approved
 - the applicant provides adequate accounting for the disbursement of the funds
 - the government recovers all unused funds, if this is a condition of the grant:
 - where the grant is of a continuing nature, the recovery may be made by reducing a future grant payment(s)
 - where the grant is of a dollar matching nature, the advances are accounted for and excess funds recovered.

APPLICATION FOR GRANT MONIES

Application processing procedures may vary from department to department and from program to program. The form and procedures required depend on the nature of the program under which grants may be made.

The following guidelines apply generally to the information to be provided on grant applications:

- The name and address of the organization or individual requesting the grant and the name and address of the representative from whom further information may be obtained.
- The purpose, aims or objectives of the organization and of the project for which the grant is requested.
- The type of formal organization under which the applicant operates, including whether it is established as a profit or non-profit operation.
- The names, addresses and relationships of other organizations with which the applicant is associated.
- The amount requested and the date(s) on which payment is required.
- Financial documents for the total organization, plus project statements, as follows:
 - cash flow statements, if applicable
 - budget for current fiscal year
 - financial statements (last two fiscal years)
 - list of grants received in previous two fiscal years showing:
 - source (Federal, Provincial, Municipal, Other)
 - date (month, year)
 - amount requested and amount received
 - total budget

- The recipient must be aware that the Auditor General's Office, in accordance with [Section 15 \(1\) of The Auditor General Act](#), may request information and explanations necessary to fulfill their responsibilities or that they may perform an inspection audit.

PROCESSING AND ACCOUNTING RESPONSIBILITIES

1. Departmental **processing** responsibilities include:

- contacting the applicant to review the information provided and to obtain or provide additional information if considered necessary, such as:
 - the Federal Government tax exempt number, if a charitable organization
 - the legislative Act, Regulation or authority under which the grant could be made
 - whether the grant, if approved, would be conditional or unconditional. If conditional, define the terms (e.g., retention of holdback until objectives met; return of undisbursed balances; performance of a service)

NOTE: While all applicants may be held accountable under [The Auditor General Act](#), it is suggested that the applicant shall provide an accounting of each grant totalling:

- \$5,000 or more
 - less than \$5,000 when it is a condition of the grant
- informing the grantee that in accepting the funds, the grantee:
 - accepts responsibility for complying with legislation, regulations and directives regarding the accounting for and audit of public funds.
- checking to ensure the application meets the requirements of the regulation or other authority for the particular grant, including:
 - a review of the applicant's financial statements to ensure that current revenues are not greatly in excess of expenses
 - that advances or instalment payments are based on cash flows agreed upon with the recipient.

2. Departmental **accounting** responsibilities include:

- Maintaining an "in process" file for each applicant until all action has been completed. If instalment payments are to be made, the payment record will be part of this file.
- When the grant has been authorized (Order-in-Council, Treasury Board Minute), diarizing the payment due date(s) and the follow-up date(s).
- On the follow-up date(s), determining if all action has been completed, i.e.:

- whether adequate accounting including use of funds has been received for the amounts provided
- whether unused balances of one-time grants have been returned to the government
- whether advances have been accounted for and excess funds recovered, either through return of funds or reduction of subsequent grant.

If all action is completed, the file should be closed. If the file is not complete, the department must contact the recipient of the grant and request action to close the file.

This section details the special requirements related to the payment of, and departmental and government agency responsibilities related to transfer payments.

AUTHORITIES REQUIRED

- Expenditure (program) authority for transfer payments is provided by specific Legislation.
- Financial (budgetary) approval is obtained as part of the Estimates process where transfer payments are listed separately, by Ministerial Pre-clearance when grouped in the Estimates listing, or by individual submission to Treasury Board. See Section 12 – “Grants” in the [General Manual of Administration](#) (GMA).
- Compliance with [The Financial Administration Act](#) and directives of the Minister of Finance requires that the request for payment from the Consolidated Fund contains the agency's certification that:
 - the funds will be used in achieving the objective of the appropriation being charged
 - the request reflects the amount(s) that the recipient is required to disburse during the fiscal year for which the funds were approved
 - requests will be funded on a cash flow basis
 - transfer payments received but not expended as of March 31 of each year will be returned to the government no later than April 30, and are not to be placed in a reserve account for future use by recipient
 - the recipient will comply with the terms and conditions of the transfer payment and
 - the recipient will account for the funds provided or is aware that the Auditor General may, under [Section 15\(1\) of The Auditor General Act](#), perform an inspection audit or require a financial statement.

PROCESSING, ACCOUNTING AND REPORTING RESPONSIBILITIES

1. Departmental and agency processing and accounting systems must provide:
 - for all audit requirements
 - for the transfer of funds as and when required to meet obligations of the recipients
 - for the certification by the agency that all conditions have been satisfied before requesting the transfer of funds.
2. The government funded agency's processing and accounting systems must include:
 - inquiring into the financial arrangements and requirements of each organization requesting a grant from the government funded agency
 - requiring the recipient organization to establish accounting or information systems deemed necessary or advisable for the proper conduct of the affairs of the recipient

- advising that the payment is conditional in the hands of the recipient and therefore subject to audit
 - advising the recipient that the funds provided from the Consolidated Fund are based on fiscal year appropriations provided to meet fiscal year obligations
 - requesting from the recipient organization all budgets, estimates, cash flow forecasts, financial statements, balance sheets, reports and other information as required.
3. The government agency's reporting systems must include the preparation of Quarterly Cash Flow Forecasts showing the monthly cash requirement in accordance with their approved budget.

POLICY

In general, an “automobile” (as defined by the federal *Income Tax Act*), supplied by the government to an employee for use other than for government business, is a taxable benefit and must be included in the employee’s income.

Employees who have vehicles assigned to them are required to file detailed monthly reports, approved in writing by the driver’s immediate supervisor, showing daily records of all distance incurred. These reports must segregate business and personal use. According to the Canada Revenue Agency (CRA), “*Personal driving . . . includes . . . travel between home and a regular place of employment (even if [the employer] insists that the employee drives the vehicle home).*” An employer cannot enter into an agreement (e.g., contract) which overrides tax regulations. CRA does not consider it to be personal driving if the employee is required to travel directly from home to a point of call other than the company’s usual place of business, or to a point of call on the way home from the company’s usual place of business. For further information in this regard, departments should refer to the Canada Revenue Agency’s [Employers’ Guide to Taxable Benefits and Allowances](#).

Departments also have designated Vehicle Coordinators, who are responsible for overseeing the vehicle management process within their departments, and for monitoring vehicle distance reports.

The [Vehicle and Equipment Management Agency \(VEMA\)](#) is responsible for the procurement and administration of government vehicles, including the calculation of associated taxable benefits and T4 preparation on behalf of employees. In addition, further information for departments, vehicle coordinators and drivers is available in the [VEMA Guide](#) and the publication, [Taxable Benefit Information](#).

Further information related to the procurement, provision and assignment of government vehicles is available through [VEMA](#), as well as through the [Procurement Administration Manual](#) (PAM).

Employees should consult with CRA or their tax advisors concerning the tax implications of driving a government vehicle. Further information related to the taxable benefits associated with government vehicles is also available through the annual Financial Administration Information Circular (FAIC) entitled, “Taxable Benefits – Vehicles” (available on the [TBS intranet site](#)).

PROCEDURES:

Drivers and departmental Vehicle Coordinators should consult the [VEMA Guide](#) for details regarding their respective responsibilities concerning government vehicles and associated tax implications.

CURRENT YEAR AND PRIOR YEAR EXPENDITURE COMMITMENTS

DEPARTMENT NAME: _____ ①

CURRENT YEAR EXPENDITURE COMMITMENTS

AS AT MARCH 31, 20__ ②

IN THIS REPORT DO NOT INCLUDE AMOUNTS REPORTED WITH PRIOR YEAR COMMITMENTS

Subsection 45(3) of the Financial Administration Act of Manitoba states "The value of the expenditure commitments made under this section during a fiscal year must be reported in public accounts for that year."

Amounts reported here are expenditure commitments made during the fiscal year ending March 31, 20xx (do not include amounts from commitments made in prior fiscal years) that commit the department to expenditures beyond the end of the current fiscal year.

COMMITMENTS MADE IN CURRENT FISCAL YEAR	TOTAL PAYMENTS PROJECTED FOR THE YEARS ENDING MARCH 31st						④ Total by Type
	20xx ③	20xx	20xx	20xx	20xx	20xx and thereafter	
Summary total of Expenditures related to service contracts	-	-	-	-	-	-	-
Summary total of Expenditures related to rental of capital assets	-	-	-	-	-	-	-
Summary total of Expenditures related to the acquisition or construction of capital assets - Part A	-	-	-	-	-	-	-
Summary total of Expenditures related to the acquisition or construction of capital assets - Part B	-	-	-	⑤	-	-	-
Summary total of Other obligations: (please describe)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
TOTAL EXPENDITURE COMMITMENTS BY YEAR >>>>	-	-	-	⑥	-	-	-

Please provide a detailed list for each summary amount reported above.

To the best of our knowledge and belief, the above listing represents the total contractual obligations that were entered into during the fiscal year ended March 31, 20xx that commit the department to expenditures in future years. The values represented above reflect only that portion of the contractual obligation that extends past the end of the current fiscal year and does not include any value for amounts expended in the current fiscal year nor amounts for which an accrued liability has been reported.

Forward to: Public Accounts, Department of Finance, 709-401 York Ave.

SENIOR FINANCIAL OFFICER: _____ ⑦

DEPARTMENT NAME: _____ ①

PRIOR YEAR EXPENDITURE COMMITMENTS

EXISTING AT MARCH 31, 20__ ②

Amounts reported here are expenditure commitments made prior to the current fiscal year which commit the department to expenditures beyond the current fiscal year.

COMMITMENTS MADE IN PRIOR FISCAL YEAR	TOTAL PAYMENTS PROJECTED FOR THE YEARS ENDING MARCH 31st						④ Total by Type
	20xx ③	20xx	20xx	20xx	20xx	20xx and thereafter	
Summary total of Expenditures related to service contracts	-	-	-	-	-	-	-
Summary total of Expenditures related to rental of capital assets	-	-	-	-	-	-	-
Summary total of Expenditures related to the acquisition or construction of capital assets - Part A	-	-	-	-	-	-	-
Summary total of Expenditures related to the acquisition or construction of capital assets - Part B	-	-	-	⑤	-	-	-
Summary total of Other obligations: (please describe)	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
TOTAL EXPENDITURE COMMITMENTS BY YEAR >>>>	-	-	-	⑥	-	-	-

Please provide a detailed list for each summary amount reported above.

To the best of our knowledge and belief, the above listing represents the total contractual obligations that were entered into during fiscal years prior to April 1, 20xx that commit the department to expenditures in future years beyond the current fiscal year ended March 31, 20xx. The values represented above reflect only that portion of the contractual obligation that extends beyond the end of the current fiscal year and does not include any value for amounts expended in the current or prior fiscal years nor amounts for which an accrued liability has been reported.

Forward to: Public Accounts, Department of Finance, 709-401 York Ave.

SENIOR FINANCIAL OFFICER: _____ ⑦

These reports are prepared annually at fiscal year-end to report the future contractual commitments for the following:

- Expenditures related to service contracts
- Expenditures related to the acquisition or construction of capital assets by the Government (funded through Part B)
- Expenditures related to the acquisition or construction of capital assets funded through Part A; and
- Expenditures related to the rental of capital assets used by the Government.

PROCEDURES

1. For this process, two separate reports are required to be completed:
 - a) **Current Year Expenditure Commitments** – A report of all contractual obligations entered into **during the fiscal year under review** that commit the Government to expenditures beyond the fiscal year under review (as required under Section 45(3) of *The Financial Administration Act*; and
 - b) **Prior Year Expenditure Commitments** – A report of all existing contractual commitments entered into **prior to the fiscal year under review** that commit the Government to expenditures beyond the fiscal year under review.
2. Departments are to prepare two separate reports for “Expenditure Commitments” in the format presented, including the following information:

Field	Information
1	department or Agency Name
2	fiscal year the report pertains to
3	future year in which expenditure is to be made. The reports are designed to provide totals, by year, for the five subsequent years past the fiscal period being reported and all expenditures committed in the sixth or subsequent year to be reported as one total
4	total value of future commitment by class of commitment
5	“by class of commitment” the total costs that are to be expended in a future year. The reports are to provide summary totals for each class of expenditure, quantifying the committed future expenditure by the year in which the expenditure is expected to be incurred
6	total future commitment expenditures by year of expenditure
7	signature of authorized senior financial officer

NOTE: Include only those amounts that represent expenditure commitments beyond the fiscal year under review. DO NOT INCLUDE BALANCES FOR AMOUNTS EXPENDED IN THE CURRENT OR PRIOR FISCAL YEARS, OR AMOUNTS FOR WHICH ACCRUALS HAVE BEEN RECORDED IN SAP.

3. A detailed listing supporting the total commitments by class of commitment should be attached to the report.
4. Forward a copy of the report by the deadline indicated in the [Year End Instructions](#).

The policies established for account verification (spending approval) and payment requisitioning are designed to meet the provisions of [The Financial Administration Act](#) and, specifically, to ensure that all payments made are:

- in accordance with relevant statutes, regulations, Orders-in-Council and/or Treasury Board directives and other executive instructions;
- in accordance with the terms, conditions and specifications as contained in purchase orders, contracts, agreements or other arrangements;
- where applicable, for work that has been performed, goods supplied or services rendered;
- accurately requisitioned in a consistent form and manner and adequately supported by the appropriate documentation;
- identified correctly;
- authorized by officers delegated appropriate authority; and
- of such amount that the payment thereof would not reduce the balance available in an allotment or an appropriation so that it would be insufficient to meet the commitments charged against it.

In addition to the above, the policies define the specific responsibilities of those officers who have been delegated spending and payment authority in verifying accounts and requisitioning payments.

It should be noted that these policies are based upon the principal elements of control throughout the entire certification and payment requisitioning process. Furthermore, if a payment is made in respect of a requisition that is subsequently discovered to contravene the Act or any other enactment, the fact that the requisition was not rejected by the central financial system does not absolve the person on whose authority the requisition was made or the departmental minister from responsibility for the contravention. Accordingly, ministers are required to establish, to the extent possible, the maximum division of responsibilities throughout the two main activities carried out in the process, namely:

- Spending Authority:
 - confirmation of goods received or services performed
 - account is in accordance with the terms of the purchase
- Payment Authority:
 - internal check as to the accuracy of details
 - payment requisitioning

This division/segregation of duties is recognized as the principal and most effective means of preventing, or at least diminishing, the possibility of fraud or error by employees. For further information on the division/segregation of duties, please see [Chapter 2](#) - "Delegation of Financial Signing Authority".

In addition to the division of duties as described above, the central financial and accounting system incorporates a set of tools known as "Governance Risk and Compliance" (GRC), which audits division/segregation of duties conflicts and compensating controls. For details on GRC, please refer to the TBS Intranet page - [Governance Risk and Compliance](#).

Primary responsibility for the system of account verification and the enforcement of related financial controls rests with the department's Executive Financial Officer (EFO) as designated by the minister. This responsibility includes:

- specifying and establishing the department's system of account verification and payment requisitioning consistent with the policies and detailed procedures.
- ensuring the integrity of the system by monitoring and modifying it, as required, on a regular basis.

DEFINITIONS

The following terminology is used in the account verification/payment requisitioning process:

Purchase Requisition:

A purchase requisition defines a need for a material/service, and has the following characteristics:

- it specifies the type of material/service and quantity to be procured from a vendor.
- it is an internal document (not used outside of government).
- the purchase requisition items must be approved in the central financial and accounting system before they can be tendered or a purchase order issued.
- when a purchase requisition has been created in the central financial and accounting system, the appropriate funds are committed.

Purchase Order:

A purchase order (PO) is a formal contract between Government and a vendor and represents the final approval of the transaction. It specifies the vendor, the material or service, the quantity, the price and the terms of payment. Purchase orders must be used for any expenditures of \$1,000 or more, unless listed in Chapter 9.0, Table 1: Exclusions, of the [Procurement Administration Manual](#). A PO has the following characteristics:

- committed dollars against a fund, which were originally established by the purchase requisition, are updated in accordance with prices on the purchase order.
- a purchase order may be created without a purchase requisition and will commit funds accordingly when created.
- purchase orders can be printed and mailed to the vendor, or sent electronically.
- purchase orders represent a binding, legal agreement between the Province and the vendor.

Purchasing/Procurement Card:

The purchasing card is a government-authorized credit card that is used for purchases under \$2,500. Special requirements exist for tracking purchasing card expenditures.

Goods Receipt:

The goods receipt acknowledges the arrival of the materials/services ordered. The receiving department performs this function.

Invoice:

An invoice is a document of claim showing the vendor name and address, description of good(s)/service(s), quantity, price, terms, nature of delivery, and other particulars associated with a good and/or service purchased or supplied.

THE PROCUREMENT CYCLE

In the central financial and accounting system, the area of purchasing is one component of the procurement cycle. The procurement cycle encompasses the purchasing of material or services. This process begins with the recognition of the requirement, through to the final vendor payment, for the materials/services received. Procurement centres around a series of activities, each of which builds on another, culminating in a "hand-off" to the departmental accounts payable area for invoice verification and final payment. The following are the stages involved in the procurement cycle:

1. The purchase requisition begins the procurement process. It is a request or instruction to the buyers to procure a certain quantity of materials/services. The requisition is approved (or "released") on a line by line basis.
2. Following the request, the buyer will search for a suitable vendor(s) from which to purchase the materials/services. This is done by sending Requests for Quotations (RFQ's) to vendors or by posting the RFQ on the government's electronic tendering service. The vendors in turn will submit a quotation. (In some cases, RFQ's may not be necessary)
3. The vendor is then selected based on an analysis of the quotations received.
4. A purchase order is created in the central financial and accounting system, approved and then issued. A purchase order is a formal request to a vendor to supply materials/services.
5. Upon delivery, a goods receipt (GR) is created in the central financial and accounting system. The goods receipt records the inward movement of materials/services.
6. The vendor then submits an invoice for the materials or services that were purchased, and the departmental accounts payable administrator enters the invoice into the central financial and accounting system. The prices and quantities are matched automatically by the system (3-way match) to the purchase order and goods receipt to make sure the invoice is correct.
7. Finally, the payment is issued to the vendor to complete the procurement cycle.

THE PAYMENT PROCESS

Account verification and payment requisitioning take place in the Accounts Payable component of the Financial Accounting (FI) Module in the central financial and accounting system. Accounts Payable contains the accounting data for all vendors, and it is also an integral part of the purchasing/procurement system (deliveries and invoices are recorded for each vendor). Because of this inter-relationship, Accounts Payable shares a Central Vendor Master File with the Materials Management (MM) Module.

Outstanding payables are settled by the payment program, which supports all of the standard payment types (cheques, transfers, etc.), in printed as well as electronic form. The payment program transfers disbursement details to the Treasury component for cheque issuance and cheque control.

The central financial and accounting system is an integrated, real time business system. Modules interact with others as a result of entering financial transactions to perform the various operational business processes. For example, in Accounts Payable, when a Purchase Requisition is entered, and released upon approval, a Funds Commitment is created. When the accompanying Purchase Order document is created, the Funds Commitment is updated if necessary. When a Goods Receipt is entered into the system, the accounting entries are automatically generated to the Goods

Receipt/Invoice Receipt (GR/IR) clearing account, and the appropriate General Ledger (G/L) accounts. This entry also changes the Funds Commitment into an actual expenditure.

With invoice entry, the central financial and accounting system compares the Purchase Order, Goods Receipt and Invoice together for an electronic 3-way match, which then sets up the payable to the vendor's account, and clears the GR/IR account. Approved payment is then issued to the vendor based on pre-set payment terms stated in the vendor master record, including taking advantage of any discounts for early payment. The vendor sub-ledgers and the G/L clearing account are updated simultaneously. The electronic matching of purchase order, goods receipt and invoice eliminates the need for signing invoices that refer to purchase orders.

Departmental accounts payable areas are required to monitor the GR/IR account for transactions in their business area that are old and clear them out on a regular basis. For detailed procedures in this regard, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 5 - "Process Vendor Invoice with Purchase Order"](#).

The central financial and accounting system also allows for consolidated payments, according to payment terms and schedules, which enables a vendor to receive a single cheque for payment of materials/services procured by multiple departments. The central financial and accounting system also allows for electronic funds transfer (EFT)/direct deposit payments. For details, please refer to the [Central Accounts Payable website](#).

Journal Entries

There may be occasion to make correcting entries or adjustments to accounts in the central financial and accounting system. These are done through journal entries. Departments are responsible for entering their own journal entries and uploading into SAP for posting by using the [Journal Voucher Upload](#). All inter-business area transfer journals for items that cross business areas are to be processed by uploading the [Inter Business Area Transfer Journal](#). Such documents must be signed by both affected departments/business areas and filed for back up purposes prior to processing.

For details on preparing journal entries, please refer to the SAP, "Program Accounting" Training Manual, [Chapter 2 - "Processing and Posting General Ledger Documents"](#).

GENERAL

The process of account verification should begin as early as possible. The procurement process for goods and services may be as short and simple as requisitioning stationery supplies or it may be lengthy and complex as when contracting for new construction. Whatever the process, the Responsibility Centre Manager is responsible for:

- ensuring that the account is in accordance with relevant statutes, regulations, Orders-in-Council, and/or Treasury Board directives and other executive instructions;
- ensuring that the account is in accordance with the terms, conditions and specifications as contained in contracts, agreements and other arrangements;
- where applicable, ensuring there is certification that the work has been performed, goods supplied or services rendered;
- ensuring that the goods or services are checked for quality, quantity and propriety before being placed in service;
- ensuring the accuracy of the invoice, application or other document submitted by the supplier of the goods or services;
- ensuring that the account is adequately supported by the appropriate documentation; and
- ensuring that the entry for payment in the central financial and accounting system is correct.

CERTIFICATE OF PERFORMANCE

In accordance with [Section 44 of The Financial Administration Act](#), and the policies on delegation of financial signing authority as outlined in [Chapter 2](#) of the Financial Administration Manual, there is an ongoing requirement for the individual who receives materials or services to exercise spending approval or certification of goods received.

In general, a bill of lading will accompany the goods. The receiver will normally sign the bill of lading to indicate receipt of goods. A copy of the signed bill of lading is then to be forwarded to the person entering the goods receipt (GR) document in the central financial and accounting system, where this is a different person. The latter individual will create the online receipt based on the certification provided by the receiver on the bill of lading. The bill of lading should be retained at the point where the receipt of goods is recorded into the central financial and accounting system, for legal and audit purposes.

Where a bill of lading does not accompany the goods, the receiver is still required to provide some written certification of goods received, and this should be forwarded to the person creating the online receipt.

PAYMENT APPROVAL

Purchase Order Based Invoices:

For purchase order based invoices, off-line approvals (i.e., signatures on hard copy documents) are generally not required. In such situations, it is expected that the individual who processes the invoice for payment will have the required delegated payment authority. In accordance with [Section 44\(1\) of The Financial Administration Act](#), the payment authority must ensure that evidence of goods receipt is provided by an appropriate individual, prior to authorizing the payment. For purchase order based invoices, the invoice processor can generally regard the on-line goods receipt document in the central financial system as evidence that goods have been received in satisfactory condition. The electronic match between purchase order, goods receipt and invoice provides further assurance that the invoice is in accordance with agreement (the purchase order).

NOTE: Any expenditure valued at \$1,000 or more must be generated in SAP as a Purchase Order, which is a form of contract, unless listed in, [Chapter 9.0, Table 1: Exclusions, of the Procurement Administration Manual](#).

Non-Purchase Order Based Invoices:

For non-purchase order based invoices, off-line spending approvals provide similar assurances from the program area. The payment authority, designated by the Executive Financial Officer (EFO), must ensure that spending initiation authority has been provided by the program area and that evidence of spending approval authority (i.e. goods receipt) is provided by an appropriately authorized individual, prior to authorizing the payment. When the individual with payment authority is not the individual who processes the invoice for payment, an off-line payment approval is required. In instances where the individual who processes the invoice for payment has the required delegated payment authority, an off-line signature is not required.

NOTE: While payment authority can be provided by the EFO or designate, it is expected that the individual who processes the invoice will perform detailed reviews of the transaction/invoice for appropriateness and compliance with administrative policy, *where such reviews are considered necessary*. It is expected that such detailed reviews would be performed for all sensitive expenditures (expenditures which may be perceived to benefit a government employee or official, e.g., travel and expense claims), and for any other expenditures at the EFO's discretion.

INVOICE ROUTING

Purchase Order Based Invoices:

For purchase order based invoices, all information that the payment authority (invoice processor) requires to verify and ensure that someone has certified goods received and approved spending is available through the central financial system via the purchase order and goods receipt document. As a result, there is no business need for the invoice to be routed to the program area which originated the purchase. The invoice can be routed directly to the invoice processor and subsequently filed in the Executive Financial Officer's (EFO)/invoice processing area.

Non-Purchase Order Based Invoices:

For non-purchase order based invoices, both spending and payment approvals are exercised outside of the central financial and accounting system. In addition, any prior commitment of funds to cover the non-purchase order expenditure will generally be made by the program area via a manual funds

reservation. It is necessary for the program area to indicate the funds reservation number on the invoice, as the invoice processor will need to enter this number when processing the invoice, to ensure the funds reservation will be reversed.

NOTE: Based on the preceding factors, it is recommended that non-purchase order based invoices be routed to the spending authority (program area), who will then provide the required approvals before sending the invoice and all supporting documentation to the EFO/invoice processing area.

INVOICE SIGNING

Purchase Order Based Invoices:

There is no need for the payment approver to sign the purchase order based invoices, as the payment approval is exercised on-line in the central financial and accounting system.

Non-Purchase Order Based Invoices:

For non-purchase order based invoices, payment approval can be external to the central financial and accounting system. In situations when the individual with payment authority is not the invoice processor, the payment authority should sign the invoice to indicate payment approval. In instances where the individual who processes the invoice for payment has the required delegated payment authority, payment approval is exercised in the central financial and accounting system and an off-line signature is not required. Note: A non-purchase order based invoice should always include signatures for both spending initiation and approval.

CREDIT MEMOS

There may be occasions whereby vendors will supply the government with a credit memo in lieu of a refund for goods/services purchased. For detailed procedures on processing non-purchase order based credit memos, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#). For detailed procedures on processing purchase order based credit memos, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 5 - "Process Vendor Invoice With Purchase Order"](#).



ERRORS AND ADJUSTMENTS

When errors on supplier invoices are detected prior to posting in the central financial and accounting system, or adjustments to supplier invoices are required as a result of the invoice verification process, the following steps are to be taken:

- the invoice should be manually adjusted, based upon agreement between the invoice processor and the supplier. The invoice processor should indicate on the invoice the particulars of the discussion, the date, and the specific representative of the supplier to whom they spoke.
- the corrected invoice should then be processed. The invoice processor should follow up with a request to the supplier for a corrected invoice or other documentation in order to ensure that the supplier has updated their records, and to also ensure the integrity of the department's paper trail for audit purposes.

DISCOUNTS

As a general business practice, payments should be made so as to take advantage of any supplier discounts for early payments.

Discounts will be reflected as a reduction to the cost of the underlying purchase(s), and the cost reduction resulting from the discount will be credited back to the department's appropriation in order to maximize the incentive for departments to take advantage of discounts.

Discounts are automatically calculated in the central financial and accounting system, based on their terms from the vendor master record. However, if for some reason the discount is lost or not taken, the discount will be expensed back to the department.

TOLERANCES

The tolerance function in the central financial and accounting system is used to allow accepted deviations from specified values in transaction processing. For example, in the invoice verification process, certain variances that occur in the invoice such as price differences between purchase order and supplier invoice billed can be accepted up to a certain (tolerance) limit. Where deviations occur in excess of the tolerance limit, the transaction will be blocked from further processing until an authorized individual intervenes to resolve the variance and release the transaction for further processing.

The advantage of the tolerance function is that it promotes efficiency in transaction processing by allowing variances that are not material to the organization to be accepted by the central financial and accounting system, thus minimizing delays in processing and effort level of employees required to pursue immaterial variances.

Tolerances are applied in the Materials Management (MM) Module of the central financial and accounting system for accounts payable and procurement variances. Most tolerances are set at 10% or \$10.00, with the most restrictive one taking precedence in any situation. The following outlines the tolerances that are currently set in the central financial and accounting system:

Tolerances in a Purchase Order

- **Price variance on delivery costs:**
All Purchase Orders with planned freight will include a freight estimate. This estimate will be checked against the actual cost at Invoice Receipt (See "Tolerance at Invoice Receipt" below).
- **Variances between requisition value and purchase order value (NOTE: This is a manual process - not system enabled):**
Where the purchase order value at the item level exceeds the corresponding requisition value by 10%, the buyer is required to notify the requisitioner who will in turn be required to obtain additional authorization before the purchase order can be released.
- **Price variance:**
The central financial and accounting system is configured with a 10% over tolerance and a 20% under tolerance on prices. When a buyer enters a price while maintaining a quotation, creating or changing a purchase order, a price check is executed. The price entered plus the tolerance is compared to the material master price. A warning message is displayed if the price is not within tolerance. The message is only a warning, and the buyer may continue with the processing of the document. This warning is intended to be a notice to the buyer that the price has changed noticeably and may be caused by an entry error, a conversion problem, or may be an acceptable price difference.

Tolerances at Goods Receipt (GR)

- **Quantity variances:**
The Material Master has a default tolerance applied by commodity. Prior to loading the Material Master data, the buyer will determine if there are commodities that should have the 10% default level of tolerance adjusted to better represent the commodity type. Application of a quantity variance at the material level will allow the receiver to accept an additional quantity without further approval for the quantity or the funds, within the tolerance limits.

Tolerances at Invoice Receipt (IR)

- **Price variance:**
If a unit price variance is exceeded by \$10.00 or 10%, a warning message will be received ("*Price too high (tolerance limit of 10.00 CAD/% exceeded*"). The document can still be posted, but it will be blocked for payment. The buyer must be contacted (identified by the purchasing group), who will obtain a credit memo or adjustment to the original purchase order.
- **Quantity variance:**
If the quantity on the invoice exceeds the quantity received to date by \$10.00 or 10%, a warning message will be received ("*Quantity invoiced greater than quantity received*"). The document can still be posted, but it will be blocked for payment. When the Goods Receipt (GR) is entered, unblocking can occur.



- **Order price unit variance - IR before GR:**
If the purchase order based invoice (IR) is processed prior to the goods being received (GR) in the central financial and accounting system, **and** the quantity conversion factor from the base unit of measure to the order unit of measure is changed, the system will allow the data entry and will post the transaction, but will block the entry from the payment run. A warning message will be received (*"Order price quantity exceeded by more than 0.00%"*). The conversion must be corrected or the buyer will have to revise the purchase order.
- **Order price unit variance - GR before IR:**
When the goods receipt (GR) is processed prior to the invoice receipt (IR) in the central financial and accounting system, **and** the quantity conversion factor from the base unit of measure to the order unit of measure is changed at invoice receipt (IR), the system will allow the data entry and will post the transaction, but will block the entry from the payment run. A warning message will be received (*"Order price quantity exceeded by more than 0.00%"*). When posted, a message will be received noting, *"Blocked for Payment"*. The conversion must be corrected or the buyer will have to revise the purchase order.
- **Freight tolerance:**
If a delivery cost variance exceeds 50% of the planned amount, a warning message will be received at the point of data entry for Planned Freight (*"Price too high tolerance limit of 50.00% exceeded"*). The discrepancy should be analyzed and the transaction unblocked if acceptable.

PURCHASE ORDER BASED TRANSACTIONS

For purchase order based invoices, any documentation which supports the goods receipt entry in the central financial and accounting system can remain in the program or receiving area, as all receiving information is available on-line. Specifically, any off-line spending authorizations (signed hard-copy of the requisition/copies of Treasury Board minutes authorizing transactions, etc.) should be retained by the person/area responsible for reflecting the approval in the central financial and accounting system. Bills of lading should be signed by the receiver of the goods/services and retained by the person who is responsible for reflecting the goods receipt in the central financial and accounting system.

NOTE: The person who physically receives the goods/services may wish to retain a copy of the receiving document for a shorter period of time for follow-up purposes.

The purchase order based invoice will be routed to the invoice processor, and should be retained in this payment area.

In the central financial and accounting system, each document is assigned a number. The document number is used to "drill down" on transactions and also to cross-reference the different documents which comprise a transaction, such as goods receipt, purchase order and invoice. It is recommended that the document number be recorded on all original documentation which supports the document that is generated by the central financial and accounting system. All original receiving documents and invoices should be filed according to both vendor and their original document number to allow for ease of retrieval in the future. This is particularly useful for purchase order based transactions, as the documentation supporting the transaction is retained partly in the program area (receiving documents) and partly in the payment area (invoice).

NON-PURCHASE ORDER BASED TRANSACTIONS

For non-purchase order based invoices, any documentation supporting receipt of goods or services is off-line, and must be forwarded to the invoice processor/payment authority so that they can verify that certification of goods receipt has been provided. The invoice will also be forwarded from the program area to the invoice processor. As a result, all documentation supporting the transaction should be retained in the payment area. The invoice document number should be indicated on the package of documentation which supports the non-purchase order based invoices, and the documentation should be filed by vendor name and document number.

DOCUMENT RETENTION STANDARDS

All original documentation should be retained for the time periods specified by the records retention schedule as outlined in Section [6F-Appendix A](#).

The following are the steps involved in the accounts payable process for both purchase order and non-purchase order transactions:

PROCESSING PURCHASE ORDER (PO) BASED INVOICES

1. All invoices are date-stamped when received. Comptrollership policy suggests routing the vendor invoice directly to the accounts payable administration area.
2. The purchase order document number (which should appear on the invoice) is entered into the central financial and accounting system to determine whether it matches a purchase order recorded in the system. The invoice date, number, business area, invoice detail by line item, and invoice total are entered into the system, or may be proposed by the system. The invoice payment date is established based on the invoice date and vendor payment terms regarding when the invoice must be paid to maximize supplier discounts, when offered.
3. A system-enabled electronic match between the purchase order, goods receipt, and invoice (3-way match) is performed on a line item basis. The electronic match provides electronic spending authorization (spending initiation and certification of goods received) and electronic payment authorization (payment authorization takes place in the Materials Management Module). There is no need for the payment approver to sign purchase order based invoices since the payment approval is exercised "online", based on the invoice processor having delegated payment authority.
4. If the electronic match is within prescribed tolerances, the system will release the invoice for payment. If the electronic match is not within tolerances, the departmental accounts payable administration area must notify the appropriate parties to resolve any invoice discrepancies before the invoice can be unblocked (released for payment).
5. For further details on processing PO based invoices, please refer to the SAP "Accounts Payable" Training Manual - [Chapter 5, "Process Vendor Invoice With Purchase Order"](#).

PROCESSING NON-PURCHASE ORDER (NON-PO) BASED INVOICES

1. Because of the nature of non-purchase order based invoice transactions, Comptrollership policy advises that the vendor invoice is routed first to the branch program area (not the accounts payable area), where spending authority resides.
2. All invoices are to be date-stamped when received, and the "hard-copy" forwarded to the departmental accounts payable area.
3. When a non-purchase order based invoice is received by accounts payable, it needs to be verified that it is definitely not a purchase order based invoice. Even if the vendor does not indicate a purchase order, it still could be, so a search for outstanding purchase orders should be undertaken.
4. Authorizations (spending and payment authority) are then confirmed or collected on the invoice or attached to the invoice prior to further processing.
5. Payment authority is a paper-based process occurring outside of the central financial and accounting system, and is exercised by the departmental Executive Financial Officer (EFO) or delegate. Payment authority ensures that spending authority has occurred.

6. Once delegated payment authority is complete, departmental accounts payable administration will process the invoice/payment request and record the document number on the invoice for future reference. Note that in instances where the individual who processes the invoice for payment has the required delegated payment authority, payment approval is exercised in the central financial and accounting system and an off-line signature is not required (see [8C-2.0](#)).
7. If no problems are noted, the invoice is then posted in the central financial and accounting system, and becomes an open item to be selected for payment based on the prescribed payment terms.

NOTE: Specific problems, which may result in a delay in invoice posting, include:

- the vendor does not exist on the vendor master
- the accounting distribution is incorrect
- there are insufficient funds available in the related appropriation to provide for the payment

Such problems must be resolved before the invoice can be posted and released for payment.

8. As there is no electronic 3-way match or automatic financial commitment generated for non-purchase order based invoices, a manual funds reservation is entered at the time of spending authority (initiation) by program or delegated staff. This process includes a manual reservation number. This reservation number must also be written on the vendor invoice when certification of goods occurs, so that when the accounts payable processor receives the vendor invoice for processing, the reservation number can be entered that will "consume the manual commitment reservation".
9. For further details on processing non-PO based invoices, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#).

PAYMENT PROCESSING

10. The Department of Finance, Central Accounts Payable will schedule and prepare all payment runs. The timing of the payment runs will be based on requirements, volumes, consolidation of payments, and to take advantage of discounts. Regular payment runs (cheques and direct deposit) generally occur every Monday, Wednesday and Friday. A monthly payment run schedule is available on the [Central Accounts intranet site](#). The Department of Finance can also intervene in the payment proposal process to produce "[emergency/rush](#)" cheques where required.
11. The central financial and accounting system allows for 50 characters of text, as well as the reference number, to be printed on the cheque stub (all text preceded by an asterisk (*) will be printed on the cheque stub).

In most cases, descriptive text should be utilized to provide the vendor with information related to payment details, rather than including an attachment to the cheque.

However, where the vendor requires more information than can be entered in the SAP text field, the central financial and accounting system allows for the practice of including attachments with supplier **cheques**. This includes providing a copy of the supplier invoice, as applicable, to assist the vendor in correctly identifying and recording payment receipt.

To include an attachment, follow instructions on the [CAP Intranet site](#).

12. Post-audit or exception reports are available from the central financial and accounting system to the departmental Executive Financial Officer (EFO) or delegate to monitor and analyze invoice processing activity. The invoice and supporting documentation are retained at the EFO/processing area.



Although the province generally does not pay interest (late payment penalty) on accounts payable, there are instances where this expenditure is allowed:

- when it is specified by Legislation or included in a contract, e.g., interest in accordance with [The Builders' Liens Act](#) (see Section [8C-3.2](#)). In such cases, the terms specified apply.
- to utility companies as authorized by Cabinet Minute dated November 21, 1984.
- where the supplier is subjected to undue delays and hardships as evidenced by direct written request for the payment of interest.

POLICY

The following conditions must exist before a payment of interest (late payment penalty) will be considered:

Contractual Agreements:

- Where a clause dealing with a provision for late payment interest penalties is included in a contract or agreement with a supplier.
- If such a clause is included, the penalty provision is **not** to exceed 1.5% per month or 18% per annum.

Utility Companies:

- The utility company must be authorized by the [Public Utilities Board](#) or another act of Legislation to levy such charges.
- The interest rate of the penalty must be the rate approved by the Public Utilities Board for the period being charged.
- The payment of the invoice must have taken in excess of the approved number of days from receipt of an acceptable invoice.
- The utility companies do not have to request payment in writing as a supplier must, but will include the late payment interest penalty on the billing/invoice.

Suppliers:

- The payment of an invoice must have taken in excess of sixty (60) calendar days from the receipt of an acceptable invoice. An invoice is acceptable on the day:
 - it is received by the department if no problems exist;
 - the goods are received if the invoice precedes the goods;
 - on which the problem is resolved if there is an invoicing problem.
- The supplier must request in writing that the interest be paid. An invoice with an amount, an overdue sticker, etc., does not constitute a request in writing.

When the above conditions exist, departments may pay interest calculated as follows:

1. Interest will be paid from the 60th day until two working days following the date of the cheque paying for the goods and/or services (see calculation procedures below).
2. The interest rate will be the prime rate(s) in effect for the period in question. The prime rate(s) is to be obtained from the Director of Risk Management and Banking, Treasury Division, Department of Finance at BankingServices@manitoba.ca.

PROCEDURES FOR CALCULATION OF INTEREST

Facts:	Cheque date is determined to be:	September 5
	Interest paid to cheque date plus 2:	September 7 or day 250
	Satisfactory invoice received on:	June 5 or day 156
	Overdue invoice amount:	\$1,000.00

Step 1: Determine the date from which interest is payable:

Date satisfactory invoice received is June 5 or day:	156
Interest not allowed for the first 60 days:	<u>60</u> days
Interest paid from day:	216 or August 4

Step 2: Determine the number of days interest is payable at each prime rate:

On day 216 (August 4), the rate was:	9.25%
Rate changed on day 244 (September 1) to:	9.50%
On day 250 (September 7), no change:	

Number of days at each rate:

Day 216 to day 244 = 28 days @ 9.25%
Day 244 to day 250 = <u>6</u> days @ 9.50%

Step 3: Calculate interest payable:

$\$1,000.00 \times .0925 \times \frac{28}{365}$	$= \$7.10$
$\$1,000.00 \times 0.959 \times \frac{6}{365}$	$= \$1.60$

Interest payable	<u>\$8.70</u>

OBJECTIVE

To describe the requirements for the payment of interest on moneys held back from payments in accordance with [The Builders' Liens Act](#).

CONDITIONS FOR PAYMENT

1. Ensure all requirements of the Act have been met and the department has the necessary authorization for release of all or part of the holdback.
2. The Act provides for a holdback of 7.5%, and where the total price of the contract exceeds the amount prescribed in the Regulations, that interest shall be paid at the rate(s) prescribed.

NOTE: 1. The amount now prescribed is \$200,000.00.

2. The prescribed rate of interest is communicated semi-annually via a [Financial Administration Information Circular](#) (FAIC).

In those instances where the contract changes:

- a) increase the contract value over \$200,000.00. Interest for the amount then held back will be paid only from the date the contract was increased to exceed the \$200,000.00. All funds held are transferred to the General Ledger Account - Builders' Liens Act (3670070).
 - b) decrease the contract value to \$200,000.00 or less. No interest will be paid. The funds held back are to be transferred from the General Ledger Account - Builders' Liens Act (3670070).
3. Interest is to be compounded semi-annually at the rates prescribed by [Regulation 127/89](#), and calculated from the latter of:
 - a) September 28, 1981 to the day the holdback is released, or
 - b) the date on which the holdback was paid into the General Ledger Account (3670070) to the day the holdback is released.
 4. As the Act stipulates that interest shall be paid to the date the funds are released, it is suggested that 14 days be added to the date the payment authorization was received. Ensure that the payment date does not fall on a Saturday, Sunday or legal holiday (use the next working day).

NOTE: Release of the holdback is a current fiscal year expenditure, as is the payment of interest.

PROCEDURES

1. Prepare a detail interest calculation (see examples following) on the portion of each holdback that is being released. Interest rates have been established by [Regulation](#). Please refer to the current [Financial Administration Information Circular](#) (FAIC) on payment of interest under [The Builders' Liens Act](#) for the interest rate that is to be charged.

- Forward the detailed interest calculation to the accounts payable section together with documentation necessary for the release of the holdback so that payment may be issued. For more information, please refer to the SAP "Accounts Payable" Training Manual - [Chapter 3 - "General Accounts Payable Knowledge"](#) – "Holdbacks".

EXAMPLE 1 - ONE INTEREST RATE/PERIOD GREATER THAN HALF YEAR

Holdback of \$10,000.00 (7.5% of \$133,334.00) on December 20, 2021 is to be released.

- NOTES:**
- The necessary authorities to release the holdback were received on July 5, 2022. However, it was estimated that it would take at least 14 days before the payment could be processed and released. The payment date will be July 19, 2022. DO NOT select a Saturday, Sunday or legal holiday - use the next working day.
 - The period from the date of the holdback to the date of the release is greater than a half year.
 - The Act requires that interest be compounded half-yearly pursuant to the rates prescribed in the Regulations. Applicable rates (obtained from relevant FAIC):

R116/90, effective December 20, 2021 - 2.25%

R116/90, effective June 20, 2022 - 0.50%

- CALCULATION:**
- First half year period:
December 20, 2021 to and including
June 19, 2022 = 182 days

$$\frac{182}{365} \times \frac{2.25}{100.0} \times \$10,000.00 = \$112.19$$
 - Second half year period:
June 20, 2022 to and including
July 18, 2022 = 29 days

$$\frac{29}{365} \times \frac{0.50}{100.0} \times (\$10,000.00 + \$112.19) = \$4.02$$
- Total interest = 211 days \$116.21

EXAMPLE 2 - MORE THAN ONE INTEREST RATE/PERIOD GREATER THAN HALF YEAR

Holdback of \$20,000.00 (7.5% of \$266,667.00) on October 5, 2021 is to be released.

- NOTES:**
- The necessary authorities to release the holdback were received on June 3, 2022. However, it was estimated that it would take at least 7 days before the payment could be processed and released. The payment date will be June 10, 2022. DO NOT select a Saturday, Sunday or legal holiday - USE the next working day.
 - The period from the date of the holdback to the date of the release is greater than a half year.

3. The Act requires that interest be compounded half-yearly pursuant to the rates prescribed in the Regulations. Applicable rates (from relevant FAIC):

R116/90, effective June 14, 2021 - 3.50%

R116/90, effective December 20, 2021 - 2.25%

R116/90, effective June 20, 2022 - 0.50%

- CALCULATION:** 1. First half year period:
a) October 5, 2021 to and including December 19, 2021
= 76 days

$$\frac{76}{365} \times \frac{3.50}{100.0} \times \$20,000.00 = \$ 145.75$$

- b) December 20, 2021 to and including April 4, 2022
= 106 days

$$\frac{106}{365} \times \frac{2.25}{100.0} \times \$20,000.00 = \$ 130.68$$

$$\text{Total Interest Period 1} = 182 \text{ days} \quad \$ 276.43$$

2. Second half year period:
a) April 5, 2022 to and including June 9, 2022
= 66 days

$$\frac{66}{365} \times \frac{0.50}{100.0} \times (\$20,000.00 + \$276.43) = \$ 18.33$$

$$\text{Total Interest} = 248 \text{ days} \quad \$ 294.76$$

EXAMPLE 3 - MORE THAN ONE INTEREST RATE/PERIOD LESS THAN HALF YEAR

Holdback of \$15,000.00 (7.5% of \$200,000.00) on May 17, 2022 is to be released.

- NOTES:** 1. The necessary authorities to release the holdback were received on July 18, 2022. However, it was estimated that it would take at least 14 days before the payment could be processed and released. The payment date will be August 2, 2022 because the 14th day fell on a legal holiday.
2. The Act requires that interest be compounded half-yearly pursuant to the rates prescribed in the Regulations. Applicable rates (from relevant FAIC):

R116/90, effective December 20, 2021 - 2.25%

R116/90, effective June 20, 2022 - 0.50%

CALCULATION: May 17, 2022 to and including June 19, 2022
= 34 days

$$\frac{34}{365} \times \frac{2.25}{100.0} \times \$15,000.00 = \$ 31.44$$

June 20, 2022 to and including August 1, 2022
= 43 days

$$\frac{43}{365} \times \frac{0.50}{100.0} \times \$15,000.00 = \underline{\hspace{2cm}} \$ 8.84$$

Total Interest = 77 days \$ 40.28

For further details on processing the payment of interest under The Builders' Liens Act, please refer to the SAP, "Accounts Payable" Training Manual - [Chapter 3 - "General Accounts Payable Knowledge"](#).

POLICY

Part XIII of [The Income Tax Act](#) (Federal) requires that withholding tax be imposed on certain amounts paid or credited to persons not resident in Canada in respect of services rendered in Canada, or for certain other types of payments to non-residents.

- NOTE:**
1. This condition is **not** applicable to the purchase of goods
 2. This condition is applicable to those payments made through the Accounts Payable System.
 3. Non-Resident Employees who are in regular and continuous employment in Canada are subject to the same deductions as Canadian residents. These deductions are made through the HR/Payroll System.

There are two categories of non-resident withholding tax:

- T4A-NR - To report all amounts paid to non-resident individuals, sole proprietors, partnerships, and corporations for **services** performed in Canada that were not performed in the ordinary course of an office or employment. Applicable payments are subject to a 15% withholding tax, except where the Canada Revenue Agency (CRA) has granted a waiver to the vendor. Please refer to CRA Information Circular IC75-6 for details.
- NR4 - To report all amounts paid to non-residents of Canada for income such as interest, dividends, rents, royalties, pensions and acting services in a film or video production (this service is an exception, and not reported on a T4A-NR slip). Applicable payments are generally subject to a 25% withholding tax, except where the CRA has granted a waiver to the vendor. Please refer to CRA Information Circular IC76-12R6 for details.

For a complete description of payments made to non-residents of Canada that are subject to withholding tax, please refer to the CRA Guide RC4445 – [“T4A-NR- Payments to Non-Residents for Services Provided in Canada”](#), or contact the CRA at 1-800-959-5525.

Departments are responsible for consulting the CRA tax guide referred to above, and for calculating and deducting the applicable tax due from the payee in accordance with *The Income Tax Act*. The deduction will then be forwarded directly to the Government of Canada (CRA), by the Department of Finance, Central Accounts Payable.

PROCEDURES

T4A-NR:

1. In accordance with normal payment policies/procedures, departments are required to ensure that the service has been provided prior to payment being issued to the vendor.
2. The [“Non-Resident T4A Withholding Tax Form”](#) must be emailed to [Central Accounts Payable](#) immediately following entry of the SAP documents.

T4A-NR “Withholding Tax” Type Codes:

There are three type codes used for withholding tax, as follows:

“M” - Non-resident travel expenses (these are non-taxable amounts.)

CRA considers “travel expenses” to be:

- amounts **directly paid to third parties** for the benefit of the non-resident (in which case the department should necessarily have an original invoice/receipt); and/or
- travel expenses the department **reimburses** to the non-resident. In this case, the vendor must forward the **original** invoice/receipt to the department, to be kept on file.

Given the above qualifiers, many expenses which the department may consider to be “travel-related” must, according to CRA, be included in the total amount paid for services.

“N” - Payments to non-residents for serviced rendered in Canada. This is the “**gross** services - applicable pay” only, i.e., all amounts paid to the vendor, excluding “travel expenses”.

“Y” - Non-resident tax withheld (equaling 15% of the total “gross **services** paid”)

For detailed SAP procedures, please refer to the [Central Accounts Payable intranet site](#).

TAX SLIP INFORMATION REQUIREMENTS

Communicated to Central Accounts Payable for all Payments to “Individuals”, “Sole Proprietors”, “Partnerships”, or “Corporations” via the [Non-Resident T4A Withholding Tax Form](#).

See [Form Explanation](#) for complete information and requirements.

For assistance with the Canada Revenue Agency requirements, please contact the CRA at 1-800-959-5525.

For assistance with the Provincial requirements, please contact [Central Accounts Payable](#).

NR4:

Departments that identify an NR4-applicable payment are to contact Central Accounts Payable for further instructions on processing these types of payments.

The Province's liability for most of its financial commitments is terminated when only one payment to the supplier is made. However, there are instances where:

- installment/progress payments are to be made during the term of the contract/agreement or grant/transfer payment, or
- a partial payment is to be made for the receipt of a partial shipment of goods specified in a Purchase Order.

In such instances, departments must maintain records showing authorization of the installment/progress payment, details of each payment, and the committed balance.

In addition, specific legislation or the terms of a contract/agreement may specify conditions which require additional records, e.g.:

- [The Builders' Liens Act](#) provides for making holdbacks from all payments and for the payment of interest.

NOTE: The funds held back are transferred out of the appropriation and placed in a special Trust Account. Then, when the funds are being released, the interest will be charged to a special account in the Department of Finance. See Section [8C-3.2](#) for details.

Departmental payment procedures must include the submission of adequate documentation when processing the request for disbursement of the funds. See Section [8C-3.0](#) for further details.

For further details on processing installment/progress payments, please refer to the SAP, "Accounts Payable" Training Manual - [Chapter 3 - "General Accounts Payable Knowledge"](#).

INTRODUCTION

The Province has contracted with the National Bank of Canada to provide a corporate credit card intended to provide a simplified purchasing and payment tool for low dollar value purchases for goods and services. The Province's purchasing card is currently a National Bank of Canada MasterCard, and is issued to authorized government personnel on an individual cardholder basis. The Procurement and Supply Chain Division is responsible for the implementation and ongoing management of the purchasing card. For policy and procedural requirements, including responsibilities and details on what type of purchases can be made on the purchasing card, please refer to the [Procurement Administration Manual](#), sections:

- 8.4 Purchasing Card Policy
- 8.5 Purchasing Card Guidelines
- 8.6 Purchasing Card Disciplinary Action Policy

POLICY

Only government personnel authorized by the departmental Executive Financial Officer (EFO) may use the purchasing card, and only to the approved cardholder limits, to a maximum of \$2,500.00. Higher limits may be approved only in very special circumstances (e.g. airplane fuel purchases).

The departmental Executive Financial Officer (EFO) is responsible for approving purchasing card holders and designating card coordinators. The EFO must ensure that user activity is monitored and that adequate internal controls are in place for compliance with the Purchasing Card Guidelines. Departments are responsible for administering the use of Purchasing Cards.

Departments requiring the use of a procurement card can identify positions with procurement card authority on the Delegation of Financial Signing Authority Chart under Other Authority ([see Section 2E-1.0](#)).

Individual cardholders are responsible for maintaining all receipts from purchases, and for maintaining and submitting a [purchasing card log](#) of all purchases in accordance with financial policy and departmental comptrollership practices.

To ensure that goods and services being purchased are reasonably priced, departmental staff should obtain at least two competitive bids whenever possible and keep a record of them. For transactions over \$1,000.00, bids are mandatory.

NOTE: Cash advances on procurement cards **are not** permitted and are blocked on the card.

For further details on the processing of purchasing card transactions, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 6 - "XP Spreadsheet Data Collection for SAP Upload"](#), or the [Purchasing Card - Guidelines](#).

Certain payments made through the Accounts Payable System must be identified as taxable, and are reportable under the requirements of The Income Tax Act (Federal). A special field known as the "Type Code" field is available in the central financial and accounting system to identify such payments.

NOTE: When this field is used for applicable payments to Canadian residents, it is necessary that the Social Insurance Number (SIN) be included in the Vendor Master Record in order to meet the Canada Revenue Agency (CRA) requirement for the SIN to appear on the tax slip. If a vendor refuses to provide the SIN, email the Department of Finance, Central Accounts Payable Manager identifying the vendor name, SAP vendor number, and stating all efforts made to obtain it, as CRA has a right to contact the government to ascertain what efforts were made in this regard. If the vendor refuses to provide his/her SIN, the type code must still be used to ensure the tax information is sent to CRA.

The following are valid codes and a brief description of each:

CODE	DESCRIPTION

A	Taxable amounts for employees reportable as income. Includes (but not limited to) items such as: • moving expenses ◦ Any reimbursement of moving expenses not included in CRA's list of expenses that are not a taxable benefit • disturbance allowances (see GMA 25.3) • foreign service allowances • tuition fees and textbooks ◦ Reimbursement of tuition fees for training courses which are taken for maintenance or upgrading of employment-related skills are generally considered to primarily benefit the employer rather than the employee, and are therefore considered to be non-taxable. Other business-related courses, although not directly related to the employer's business (e.g., stress management, employment equity, first aid, etc.), are also generally considered to be non-taxable. In such instances, the payment must not be type coded. ◦ Reimbursement of tuition fees for courses related to personal interest or technical skills that are not related to the employer's business are generally considered to primarily benefit the employee, and thus are considered to be taxable. In such cases, the payment must be type coded. ◦ Employees who have their eligible tuition fees paid for or reimbursed by their employer and have not received a taxable benefit are not entitled to claim the tuition tax credit. The tuition tax credit is not available, in any case, when employees have their eligible tuition fees paid for or reimbursed by their employer or when they receive remuneration while taking training in connection with their duties of employment. ◦ For more information on the payment/reimbursement of employee tuition fees, please see Section 8B-2.6. • option "B" of MGEU Agreement re: private vehicles required as a condition of employment • tool reimbursement or allowance

- reimbursement or an allowance to employees to offset the cost of tools that they need for their job, the amount is a taxable benefit and should be included in the employee's income

Whether or not a benefit is taxable depends on whether an employee receives an economic advantage that can be measured in money, and whether that individual is the primary beneficiary of the benefit. See [CRA's Guide to Taxable Benefits and Allowances T4130](#).

CODE	DESCRIPTION
C	Payments to or on behalf of non-employee individuals with respect to bursaries, scholarships and tuition fees.
F	Fees and other amounts paid to non-employee sole proprietors/individual contractors for services rendered.
M	Non-resident travel expenses.
N	Payments made to non-residents (individuals, partnerships or corporations) for services rendered in Canada.
O	Other Exempt Income paid to a non-employee individual under which Section 87 of The Indian Act applies. For more information, please refer to the Act or information from CRA .
P	Interest paid to employees for back wages
W	Payment made to non-employees individuals for amounts confirmed by Canada Revenue Agency to be reported as "Other Income".
Y	Non-resident tax withheld.

For further details on the use of type codes, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#).

Totalized Accounts are a means of summarizing payments made for a specific purpose or to a specific vendor for later publishing in the Public Accounts report Vendor Statement of Payments over \$50,000. For example, Totalized Account 31 ("Refunds - Revenue") was established to summarize all revenue refunds rather than to have each individual on whose behalf a refund was made appear as a separate account in the Supplement to the Public Accounts.

POLICY

The majority of the Totalized Accounts that are maintained in the central financial and accounting system are business area/department-specific accounts, strictly for the use of the particular business area/department. There are, however, certain Totalized Accounts that are to be used by all departments. Departments are advised to reference the Totalized Account "drop-down" menu in the central financial and accounting system for details.

Totalized accounts cannot be used in conjunction with "for account of" or "Type Code" in transactions.

Totalized accounts must never be used for the payment of taxable allowances and benefits, as the Canada Revenue Agency (CRA) requires personal data such as name, address and Social Insurance Number for such transactions.

For further details on using Totalized Accounts, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - Process Vendor Invoice - Non-PO](#), and [Chapter 5 - "Process Vendor Invoice With Purchase Order"](#).

The vendor creation/management process is a critical element in the overall government expenditure management control process. In addition to system safeguards, departmental management and system users have significant responsibilities in ensuring the vendor management policies, systems and processes support prudent financial management.

POLICY

Departments are required to complete an “[Add/Change Vendor Request](#)” form whenever a new vendor, a change to a current vendor, or unblocking of a “blocked-inactive” vendor is required. This form must also be submitted when there is a requirement to have a “Purchase Order Vendor” (MBPO) completed.

A “**blocked-inactive**” vendor indicates that the vendor master record (VMR) has not been utilized for a lengthy period of time, and may no longer be required for payment. As such, Central Accounts Payable has applied a block. The block will prevent use of the VMR for payment and procurement purposes.

At a minimum, Central Accounts Payable staff will annually run a report that identifies VMRs that have not been used within the previous five fiscal years for either payment or procurement purposes. Those VMRs will be blocked, with text entered into the “Address” field indicating, “Blocked-Inactive”.

These blocks will address concerns that:

- Inactive VMRs could be incorrectly selected for payment
- The number of active VMRs is unmanageable
- Departments do not otherwise know which “old” vendors they can ignore when searching the VMR

Departmental requirements to unblock a vendor are found on the [Central Accounts Payable intranet site](#).

An **MBPO vendor** is a vendor that is created by the Procurement and Supply Chain Division (PSCD). It is used for PSCD purchasing function data requirements; not for accounting or payment. Central Accounts Payable, however, is responsible for “completing” the MBPO vendor in order to allow for payment of the vendor invoice.

The “[Add/Change Vendor Request](#)” form, complete with supporting documentation, including authorizing signatures, is to be forwarded to Central Accounts Payable for central approval and processing.

PROCEDURES

General Standards for All Vendors

1. Prior to requesting that Central Accounts Payable add, change, unblock or complete a vendor, departments are required to accurately and completely search the Vendor Master Record to confirm whether or not the vendor already exists. All departmental staff with SAP “DAD” roles should have training in this type of vendor search procedures, however, detailed instructions are available on the Central Finance, [Central Accounts Payable intranet site](#).
2. After confirming that the vendor does not already exist, or if they exist, require changes or completion, departments are to complete a “Add/Change Vendor Request” form, and supporting documentation, including authorizing signatures, as required, and email it to Central Finance, Central Accounts Payable, per the instructions on the form.

3. Proper supporting documentation for the request form must be either:

- A vendor invoice must contain unique characteristics clearly identifying it as authentic, showing the item(s)/service(s) purchased, date of purchase or invoice, amount owing, the office that made the purchase, and the vendor payment name and address. An invoice may include, for example, subscription/membership application, seminar registration, expense claim, etc.
- Where no invoice is available, or where the invoice does not have unique characteristics, backup of other communication from the vendor, such as a departmental application form specifying normal invoice information, must be provided (e.g., a Rental Account Form or Young Entrepreneurs Program approval). This backup must be signed by the departmental Senior Financial Officer (SFO) or approved designate. Designate(s) must not have an SAP “AP-DAD” role (i.e., designate must not be able to post payments in SAP).

NOTE: If the above supporting documentation is not provided, complete with authorizing signature(s) where required, Central Accounts Payable **will not** process the request. Where there is incomplete documentation, Central Accounts Payable will advise the department of the additional information required in order to process the vendor request. The Central Accounts Payable Supervisor may allow exception to this policy if, for example, it can be demonstrated that no acceptable backup documentation exists.

4. Vendors established in the “trade vendor” (TRDV) vendor master record account group, will have payment terms of 30 days (plus 3 days grace). A request from a vendor is **NOT** sufficient reason to pay early.

If a business area believes there is reason for the TRDV payment terms to be changed, application may be made to the Central Accounts Payable Manager as per instructions found on the [Central Accounts Payable intranet site](#).

Common examples of when a change to payments terms would be considered include:

- If a supplier discount is offered for early payment (see FAM [8C-2.1](#) for related information).
- If payment is for a critical service to a sole supplier, and the supplier will not provide the service unless payment is issued in a shorter timeframe.

Other Requirements for Contracts

1. Departments must determine whether the contract should be **Purchase Order (PO)–based**. If it is determined the contract should be PO-based, the vendor must be created for purchasing purposes only (MBPO) by PSC.
2. After the first invoice is received, departments are to complete the “Add/Change Vendor Request” form, requesting to have the vendor “completed”, and forward the request, along with supporting documentation, including authorizing signature(s), to Central Accounts Payable.

NOTE: Central Accounts Payable **will not** create a contracts-based vendor as a “quick” alternative to the department complying with MBPO vendor requirements (as per point #1 above).

3. **Non-PO-based** contracts are to be treated in the same manner as “General Standards for all Vendors” per above.

Other Requirements for Grants

1. Departments are to complete an “Add/Change Vendor Request” form, including authorizing signature(s) on the supporting documentation, and email it to Central Accounts Payable, Central Finance per the instructions on the form.
2. Proper supporting documentation for grants must be either:
 - A memo from the Senior Financial Officer (SFO) indicating what the grant is for **including the Treasury Board Minute number** authorizing the grant payment
 - A copy of the Order-in-Council approving the grant
 - A copy of the Ministerial Letter authorizing the grant payment

NOTE: If the above supporting documentation is not provided, complete with authorizing signature(s), Central Accounts Payable **will not** process the request. Where there is incomplete documentation, Central Accounts Payable will advise the department what is still required to establish the new vendor.

Other Requirements for “For Account Of” (FAO)

The purpose of the “For Account Of” (FAO) field is to *report* the vendor that ultimately receives the benefit of the monies. The FAO field must be used whenever payment is being made to a vendor that is not the ultimate recipient of the benefit of the monies, but is, rather, considered to be a payment mechanism. Please note that the “For Account Of” field cannot be used in conjunction with a “totalized account”.

Examples of where a FAO vendor is required are:

- A property management company that is collecting rents for the property owner (the owner is the FAO vendor)
- A lawyer in-trust for a client (the client is the FAO vendor)
- A moving company for reimbursed employee re-location (the employee is the FAO vendor)
- American Express (AMEX) Travel Card (the hotel; airfare company; travel agency; or employee, as per Section [8B-Appendix A](#), is the FAO vendor)

If use of a FAO vendor is required, the following procedures must be followed:

1. Prior to making the payment entry in SAP, the department must ensure that the applicable FAO vendor exists in the vendor master records. As necessary, the department must submit a completed “Add/Change Vendor Request” form to Central Accounts Payable in order to establish a new FAO vendor. Authorized signature must appear on the backup documentation, and a note must be included in the “Special Instructions” section of the “Add/Change Vendor Request” form, indicating “FAO Vendor only”.

Detailed instructions are available on the Central Finance, [Central Accounts Payable intranet site](#).

NOTE: For FAO vendors, there will often be no invoice, or other normally acceptable vendor request backup documentation. As such, ANY written document with the vendor name and address will be acceptable (for FAO vendor requests only). This may include, for example, an e-mail from the vendor, or a screen print from the vendor’s website.

2. Central Accounts Payable will establish a FAO vendor, but this vendor will be “blocked” for direct payment (i.e., will only be available for use as FAO vendor). If, in the future, direct payment must be made to an existing FAO vendor, the department will then be required to submit a completed “Add/Change Vendor Request” form. In the “Special Instructions” section of the “Add/Change Vendor Request” form, stipulate that the request is to “unblock the FAO vendor for direct payment”. Normally acceptable backup documentation, such as a vendor invoice, must be provided at that time.
3. The department must ensure that the FAO vendor is utilized on the payment entry document, as applicable.

Other Requirements for “In Trust”

1. Departments are to complete an “Add/Change Vendor Request” form, including authorizing signature(s) on the supporting documentation as required, and email to Central Accounts Payable, Central Finance per the instructions on the form.
2. Proper supporting documentation for “In Trust” payments, such as a departmental memo, must include the name and address of the “in trust” recipient, and must be signed by the departmental Senior Financial Officer (SFO) or designate, who must be at a level equal to or greater than the departmental SFO.

Other Requirements for Employee Vendors

Departments **are not** to send active employee vendor requests to Central Accounts Payable. All employee vendors must be authorized and established by the departmental Human Resource Management Section and Central Finance, Central Payroll Office.

Other Requirements for Credit Card Vendors

The Province has authorized two credit cards for general use – American Express Corporate Travel Card and the National Bank of Canada MasterCard procurement card.

Central Accounts Payable **will not** establish credit card vendors other than for the two authorized credit cards identified above.

Other Requirements for Program-Specific One Time Vendors (OTVs)

A One Time Vendor (OTV) is a master record/file that has been established for use by a particular department, applicable to a specific program or purpose within that department. Reporting for payments made via an OTV is by program name rather than by the recipient of the payment. To that end, for the accumulation of reporting information, where a totalized account (TA) has been assigned, it must be utilized on all entries made to the applicable OTV.

NOTE: Effective January 11, 2010, the following two refund-related OTV master records are permanently blocked for posting:

- “2799906” for “Revenue Refunds”
- “2799910” for “Revenue Other Than Refunds”

For information regarding posting of refunds, see the Manitoba Finance, [Central Accounts Payable intranet site](#).

A program-specific OTV allows authorized departmental accounts payable administration staff ("DAD" role in SAP) to access the OTV master record and directly enter the full payment request information, including amount, without following the normal vendor master record requirements.

Unique program payment vehicles such as OTVs are subject to responsible processes, safeguards and controls.

1. Departmental management shall determine, in accordance with adequate safeguards, processes and controls, which departmental staff will be authorized to initiate and carry out payment transactions via an OTV.

These transactions normally utilize a job submission/transfer from an independent departmental financial system which interfaces to the SAP system.

However, departments must ensure that safeguards, processes and controls exist applicable to any circumstances where an OTV is utilized to post payments directly to the SAP system.

2. Only authorized departmental invoice processor end users shall create interface jobs producing One Time Vendor payments.
3. SAP users are accountable for all activities processed through their workstations. Although safeguards are built into the system, every precaution should be taken by users to protect the integrity of their workstations.

Staff with a "DAD" role in SAP are uniquely responsible for processing payments. In order to allow the applicable entries to be posted, the SAP system identifies the logged-in SAP user via the user ID. Therefore, SAP users should lock their computer when they are away from it, as they are responsible should anyone else use their workstation if it is not locked. Users will be held accountable and may be held personally liable for any unauthorized activity, including resultant misappropriation of funds.

4. Departmental management should exercise significant pre-payment monitoring and carry out post-audit reviews with adequate segregation of duties and controls. This should include reconciling SAP system output back to supervisory approved input, and periodically reviewing payments for inappropriate patterns and repeat payments.
5. Departmental management should consider additional internal safeguards and procedures they deem necessary, and ensure that all such safeguards and related procedures are documented in the departmental [Comptrollership Plan](#) that is filed with the Provincial Comptroller.
6. In order to establish a new OTV, departments must obtain pre-approval from the Central Finance, Central Accounts Payable Manager.



INTRODUCTION

While departments are required to request payment directly from the Consolidated Fund through the central financial and accounting system, there may be circumstances which require the opening of a disbursement bank account for the making of immediate or timely payments.

POLICY

Section 18 of [The Financial Administration Act](#), states:

"18 The Minister of Finance may open, maintain or close accounts on behalf of the government with a bank, trust company, credit union or other financial institution that he or she designates on the terms and conditions that he or she considers appropriate."

The Minister of Finance must approve all disbursement bank accounts. Examples may be:

- a) **Field Bank Accounts** - to provide for immediate payments of amounts where timeliness, remoteness or emergency conditions necessitate this procedure. All field bank accounts must be funded from the appropriation(s) to which the expenditures are to be charged. The amount of funding should be determined by the Minister based on the activity of the account. Regardless of activity, departments must reimburse the accounts at least monthly.

NOTE: Funding of those accounts which require encumbering an appropriation must be equal to at least one month's estimated activity of the account.

- b) **Refund Bank Accounts** - to provide for the timely refund of revenues. Refund bank accounts can only be used for refunds out of revenue and cannot exceed an amount determined by the Minister based upon the activity of the account. Refunds must be submitted for reimbursement at least monthly.

Banking Arrangements

Departments are responsible for ensuring adequate supplies such as deposit slips and cheque stock to make deposits to the account, if applicable. Deposits are to be made in accordance with regular government procedures. Any special deposit procedures that may be required must be authorized in advance by the Treasury Division of the Department of Finance.

Control of Cheque Supplies

Departments are responsible for establishing a cheque control process, including:

- Signatures required on each payment (minimum of two signatures)
- Individual cheque limit (if applicable)
- Safeguarding of cheque stock (issued and un-issued)
- Process for ordering cheque stock

All cheque stock must comply with current banking/financial institution requirements regarding cheque specifications. When ordering, departments must ensure that appropriate safeguards are embodied in cheque stocks so as to mitigate the occurrence of fraud.

The departmental Executive Financial Officer (EFO) or designate is fully responsible for the cheque supply. The responsibilities of that position include, but are not limited to:

- Ensuring that the necessary secure locked storage is provided for cheque stocks at all locations where they are maintained,
- Maintaining an accurate, up-to-date record of all cheque stocks, including field locations,
- Issuing cheque stocks, as required, to field locations and obtaining acknowledgement of the receipt of those cheques by the field location,
- Ensuring the cheque stocks at the field locations are kept at a minimum level and that they do not exceed current needs,
- Ensuring that any unused cheques are retrieved from the field location when they are no longer required and returned to stock.

Similarly, the person in custody of the cheque stock at the field location is also fully responsible for the protection of all cheques in their possession.

Signing Authorities

Good internal control requires a minimum of two signatures or approvers for each transaction. Signature card templates are available from Risk Management and Banking, Treasury Division.

Replenishment of Bank Account

The following procedures are to be followed in the replenishment of the account:

- Replenishment of the account will be done on a timely basis.
- The cheque register must be referenced to the appropriate SAP document supporting the payment.
- All original receipts and other supporting documentation will be maintained with the department's copy of the cheque register. All required audits will take place at the field location.
- Replenishment by Electronic Funds Transfer (EFT) is recommended given that cheques are less efficient and significantly more expensive. Please refer to the [Central Accounts Payable Intranet site](#) for instructions to enroll in EFT.

Bank Reconciliation

A monthly reconciliation report must be prepared relating to each departmental disbursement bank account, indicating any and all transactions (paid, outstanding and stale-dated), and must balance to the monthly bank statement. The reconciliation report requires the approval of the departmental EFO, and must be maintained on site for audit and review.

Failure to comply with the bank reconciliation process and reporting as outlined above may result in closure of the bank account by the Office of the Provincial Comptroller.

A daily analysis or reconciliation of the cashed cheques must be performed in order to identify cheques clearing that have been voided or payment stopped, cleared for the wrong amount or currency, duplicated, unauthorized or forged signatures or counterfeit.

If the review of the transactions identifies any discrepancies, unrecognized cheque numbers or cheque amounts, the clearing bank must be immediately contacted for assistance with returning the cheque. The Office of the Provincial Comptroller, Risk Management and Banking, Treasury Division, must also be contacted in the event of counterfeits or fraud.



Failure to reconcile the account on a daily basis exposes the government to financial losses due to cheque fraud.

Payments Canada sets the standards for the clearing and timelines for return of all bank items in Canada. (See [Payments Canada Rule A4](#))

Annual Compliance Report

Departments are responsible for complying with fiscal year-end reporting requirements as detailed in the annual fiscal year-end [Financial Administration Information Circular](#) (FAIC) issued by Treasury Board Secretariat.

Issuance of Replacement Cheques

Departments are responsible for complying with the policies and procedures for the issuance of replacement cheques as detailed in Section [8D](#).

Costs

Unless agreed to otherwise, all costs associated with operation of the departmental disbursement bank account(s) will be borne by the department, including cheque stocks and banking charges.

Overall Responsibility

It is the responsibility of the departmental EFO or designate to ensure that payments are made in accordance with approved purposes. This responsibility includes all aspects of the operation of the account and for responding to any queries in relation to the account. Any variations/deviations from the agreed-to purpose of the account must be discussed and approved **in advance** with the Provincial Comptroller.

Office of the Provincial Comptroller (OPC) retains the authority to cancel departmental disbursement bank accounts at any time.

PROCEDURES

1. Complete a Departmental Disbursement Bank Account Agreement available on the [TBS Intranet site](#), providing all required information.
2. Obtain the signature of the EFO of the department. **The Officer authorizing the signatures for the account cannot appoint themselves as a signatory for the account.**
3. Forward the bank account agreement to:

Director of Risk Management and Banking
Department of Finance, Treasury Division
350 – 363 Broadway
Winnipeg, MB R3C 3N9
BankingServices@manitoba.ca

4. The request will be evaluated by Treasury Division who will provide a recommendation to the OPC to either approve or deny.

5. The OPC will review the request, taking into account the recommendation of Treasury Division, will either approve or deny and then return to Treasury for processing.
 - a) if the request is rejected, the department will be advised including a decision rationale; or
 - b) if the request is accepted, Treasury will complete an authorization form and send it to the bank/financial institution.
6. Once acknowledgement has been received from the bank/financial institution that the account has been established, a copy of the acknowledgement and signed agreement will be forwarded to the requesting department, Treasury Division and OPC.
7. The department must then provide specimen signature cards to the bank/financial institution.

CHANGES TO BANKING ARRANGEMENTS

If changes are required to be made in the arrangement of a bank account (e.g., change in authorized signing authorities), departments must adhere to the following procedures:

1. Prepare a memorandum of request to change the banking arrangements, providing the following information at a minimum:
 - name and mailing address of department
 - date of request
 - full title of the account
 - name and location of the bank/financial institution
 - details of change requested
 - reason for change
 - signature of authorized officer
2. Forward the request to:

Director of Risk Management and Banking
Department of Finance, Treasury Division
350 – 363 Broadway
Winnipeg, MB R3C 3N9
BankingServices@manitoba.ca
3. Treasury Division will review the request and:
 - a) if the change is rejected, advise the department and explain the reason; or
 - b) if the change is accepted, complete an authorization form and forward it to the bank/financial institution.
4. Once acknowledgement has been received from the bank/financial institution that the change has been made, a copy of the acknowledgement will be sent to the requesting department.
5. If the requested change involved a signing officer change, departments must provide the bank/financial institution with a new specimen signature card.

GENERAL

The Cheque/Payment Management System is the process of coordinating the management and distribution of Province of Manitoba cheques as well as other payment methods such as electronic funds transfer, and of identifying the Province's paid, returned and outstanding cheques, coordinating stop payments with the Province's principal banker, and requisitioning replacement cheques in a systematic and orderly manner so as to avoid duplicate payments.

CHEQUE DISTRIBUTION

The cheque distribution system is administered by Manitoba Finance, Central Accounts Payable.

See Section [8D-1.1](#) for detailed policy and procedures in this regard.

CEILING LIMIT ON CHEQUE PAYMENTS

The Province of Manitoba has established a ceiling limit of \$5 million for the production (and receipt) of paper-based, i.e., cheque transactions. All payments made to or by the Province of Manitoba in excess of \$5 million must be made by electronic funds transfer.

NOTE: Payments made by electronic funds transfer are FINAL, with limited exception. Once the funds have been deposited into a vendor's bank account, it will be the paying department's responsibility to recover any funds paid in error.

For details regarding electronic funds transfer/direct deposit payments, please see the following section or refer to the [Central Accounts Payable website](#).

ELECTRONIC FUNDS TRANSFER (EFT)

Electronic Funds Transfer (EFT) or direct deposit payments processed through the Automated Clearing House (ACH) System are the preferred payment method for government disbursements. The advantages of payment by EFT include:

- Reduced government administration costs and banking service charges
- Eliminates the risk of lost or counterfeit cheques
- The supplier/client (vendor) receives the payment faster and the payment will not be subject to a hold
- Cost savings to vendors who may otherwise pay fees to cash cheques

Vendor EFT payment may be made centrally through the SAP system. Additional information and the enrolment forms are available for vendors on the [Finance Internet site](#). Departments and agencies with program-specific needs should provide a business case to the Manager, Banking and Credit Analysis, Treasury Division for establishment of a disbursement bank account. All disbursement bank accounts with EFT privileges must be approved by the Provincial Comptroller see 8C-4.0.

EFT payment can only be made in Canadian funds destined for Canadian bank accounts. Electronic disbursements in foreign currencies or destined for foreign accounts are to be made by bank wire transfer (See "Foreign Currencies" below). Bank wire transfer payments may be requested through Central Accounts Payable. Please refer to the [Central Accounts Payable website](#) for details.

Similar to government cheques, dual authorization and segregation of duties for EFT payments is required.

FOREIGN CURRENCIES

The majority of transactions entered into by the Province will be in Canadian dollar currency. However, there will be instances whereby currency other than Canadian dollar will be required, payment options available to departments are as follows:

- a) United States Dollar Currency Cheque
- b) United States Dollar and Other Currencies Bank Wire Transfer

Processing instructions are available on the [Central Accounts Payable Intranet site](#).

CASHED CHEQUE INQUIRIES

Manitoba Finance, Bank Reconciliation can, at the request of a department, initiate a search of the cashed cheque records to determine if a specific cheque has been cashed.

Departments are required to contact [Bank Reconciliation](#) and provide the following information:

- cheque serial number
- amount of cheque
- date cheque was issued

Departments are asked not to initiate inquiries until at least 10 working days have elapsed from the cheque issue date. This is to allow a reasonable period of time for processing and delivery by the Post Office. In circumstances where theft and/or fraud is suspected, or it is known that the original cheque has been destroyed, the 10 day waiting period should be waived.

NOTE: This waiting period does not apply to payroll cheques or social assistance cheques.

If the cashed cheque inquiry indicates an opportunity for a stop payment as a result of a lost or stolen cheque, these situations will require additional documentation as detailed in the applicable sections that follow.

POST-DATED CHEQUES

The business requirements of the Province of Manitoba may, at times, require the issuance of post-dated cheques. Post-dating allows the early production of cheques to ensure "on-time" delivery to the vendor, while preventing the early cashing of those same cheques if they are received by the vendor in advance of the desired cashing date. Departments must complete the ["Post Dated Payment Request"](#) in this regard. For detailed processing procedures, please refer to the SAP, "Accounts Payable Processing" Training Manual, [Chapter 3 - "General Accounts Payable Knowledge"](#).

EMERGENCY (RUSH) CHEQUES

There may be instances whereby a cheque is required prior to the next scheduled cheque run/print. Such cheques must be requested on a special ["Exemption Request for Cheques"](#) form that must be forwarded to Manitoba Finance. Please see [Section 8D-1.2](#) for detailed procedures in this regard.

CHEQUE STOP PAYMENTS

A special "[Stop Payment Request](#)" form has been designed to facilitate a stop payment on a previously issued Province of Manitoba cheque, and to consolidate all pertinent cheque information, thereby enhancing financial controls and reducing the response time to departments and payees. Please see Section [8D-1.3](#) for detailed procedures in this regard.

Departments that have their own chequing accounts must process stop payments online using their online banking application. Please contact the Manager, Banking and Credit Analysis, Treasury Division for more information.

RETURNED UNDELIVERABLE CHEQUES

There may be instances where undeliverable cheques are returned to the government by the Post Office.

Manitoba Finance, Bank Reconciliation will determine the department which issued the cheque, and will contact the department with the original cheque details. Departments will then be asked to verify the information, and to identify and supply Bank Reconciliation with the missing information (new address, name, etc.).

Bank Reconciliation will then re-distribute the cheque according to the instructions provided.

See Section [8D-1.4](#) for detailed procedures in this regard.

CHEQUE CANCELLATION

There may be instances whereby it is necessary to cancel a previously issued Province of Manitoba cheque. Only the issuing department may request a cheque cancellation, and only current year cheques may be cancelled. See Section [8D-1.5](#).

LOST OR STOLEN CHEQUES

There may be instances whereby a Province of Manitoba cheque is lost or stolen, but not cashed, and a replacement cheque is required. This process involves the completion of a Statutory Declaration and Undertaking signed by the payee, as well as the production of a replacement cheque. Please see Section [8D-1.6](#).

CHEQUES WITH FORGED ENDORSEMENT OR INTENDED PAYEE NOT PAID

There may be instances whereby a Province of Manitoba cheque has been forged, i.e., the cheque has been cashed, but not by the intended payee, and a replacement cheque is required. This process involves the completion of a Statutory Declaration signed by the payee, as well as the production of a replacement cheque. Please see Section [8D-1.7](#) for detailed procedures in this regard.

POLICY

In order to ensure the adequate control and safeguarding of public funds, all cheques drawn on the Consolidated Fund, with the exception of those cheques produced by the Central Payroll System, are mailed directly to the payee as shown on the face of the cheque.

Accordingly, the practice of addressing cheques to a departmental accountant or another departmental employee who has requisitioned the cheque(s) is generally not allowed. However, within the central financial and accounting system there exist payment method supplements which may be used by departments to designate certain cheques to be held for pick-up at the Department of Finance, Central Accounts Payable office, or delivered to departments, as opposed to being mailed directly to the payee. For further details on payment method supplements, please refer to the [Central Accounts Payable Intranet site](#).

Should departments elect to use the payment method supplements referred to above, authorization for designated persons to pick up the cheque(s) must be obtained from the Department of Finance through completion of two annual, signature authorization forms. These forms include "[Authorization Signatures](#)" and "[Cheque Pick-Up Authority](#)" and identify departmental staff with the authority to request that a cheque be held for pick up, returned to the department or issued as an emergency and those with authority to physically pick up the cheque(s) at the Central Accounts Payable office. The preceding forms must be signed by the departmental Senior Financial Officer (SFO) and are used in conjunction with the "[Exemption Request for Cheques](#)", as applicable to each, individual cheque pick up request.

Where an exemption is approved under the above request and cheques are held or returned to a department, that department is responsible for establishing adequate and reasonable internal controls to safeguard these cheques. Such controls include:

- adequate physical safekeeping of the cheque;
- a record in which each cheque returned is recorded and the signature of the person to whom the cheque is released;
- the appropriate delegation of responsibilities to ensure that the cheques are not returned to the employee who originated the request.

CONDITIONS

Requests to have Province of Manitoba cheques forwarded to a department should be confined to the following classes of payments **only when payment by direct deposit is not possible at the time payment is required**:

1. Payments to employees:

- salaries and wages
- allowances
- travel, relocation, and other reimbursable allowances
- advances relative to the above

2. Payments involving legal transactions:

- real estate acquisitions
- contract releases
- damage claim releases

3. Payments requiring formal presentation:

- grants presented personally by Ministers or other persons as designated by the Minister

5. Cash requiring formal presentation:

- customs clearance
- vehicle licenses
- petty cash advances and replenishments

6. Recurring payments requiring administration:

- contracts
- social welfare payments/special payments

7. Loan payments to individuals to be exchanged for promissory notes

PROCEDURES

1. Prepare, annually at a minimum, a "[Cheque Pick-Up Authority](#)" form.

The form has two sections that establish personnel with authority to pick-up cheques at the Department of Finance, Central Accounts Payable office. The first section identifies authorized Government of Manitoba personnel, while the second section authorizes a specific courier company.

2. In the first section, ensure that the full name of each authorized person is entered on the form, and that each person provides his or her signature.
3. Indicate whether the current form is the original, or an amendment, for the identified fiscal year.
4. Obtain the signature of the departmental Senior Financial Officer (SFO), date the form and forward the original, signed copy to:

Department of Finance
Central Accounts Payable
711 - 401 York Avenue
Winnipeg, MB R3C 0P8
centralacctspay@gov.mb.ca

5. When a department requires a cheque to be picked up from Central Accounts Payable, an "[Exemption Request for Cheques](#)" form must be completed. This form indicates the departmental staff to be contacted when the cheque is ready for pick-up and specifies the details of the cheque being picked up.

The form should be completed and emailed to the Department of Finance, Central Accounts Payable, **prior to 11:00 a.m. on the day of the cheque run.**

6. Central Accounts Payable will notify the requesting department when the cheque is ready for pick-up.

GENERAL

The Department of Finance schedules a [regular payment run](#) (cheque and electronic funds transfer) every Monday, Wednesday and Friday. All invoices that are posted to the end of the workday prior to the scheduled payment date, using the payment terms "pay immediately" are included in that payment run. This payment production schedule is normally sufficient to encompass most departmental payments.

However, there may be instances where a cheque is required prior to the next regularly scheduled cheque run. For such cases, the Department of Finance also produces a "rush" cheque run each day at 1:00 p.m., which will produce cheques only for those invoices posted with the payment method "R" (for "Rush").

In order to use this "rush" schedule, departments must complete an ["Exemption Request for Cheques"](#) form and forward it to the Department of Finance, Central Accounts Payable.

CONDITIONS

As applicable to the department's need for an emergency/rush cheque, use of the "Exemption Request for Cheques" form is restricted to those cheques that must be produced prior to the next regularly scheduled cheque run. All other cheques that department's require on an emergency basis must be coded "pay immediately" (via payment terms "Z001") on the regular cheque run.

PROCEDURES

Refer to [Central Accounts Payable Intranet site](#) for procedures.

POLICY

Where departments deem it necessary to place a stop payment on a previously issued Province of Manitoba cheque, a ["Stop Payment Request"](#) form must be completed and forwarded to Manitoba Finance. The form is available on the Manitoba Finance intranet website.

Departments are not to place stop payments for non-entitlement of cheques, i.e., duplicate payment to suppliers, or non-entitlement of whole or part pay for employees. Instead, departments should establish an accounts receivable for each instance, and begin the appropriate collection procedures.

PROCEDURES

1. Departments are to complete a ["Stop Payment Request"](#) form
2. The request is to be emailed to: Bankreconciliation@gov.mb.ca
3. Departments are to retain one copy of the form for departmental records.
4. Central Finance, Bank Reconciliation will place a stop payment in the central financial and accounting system, which will "stop" or deny negotiation of the particular cheque if it is presented for payment.
5. After determining that a cheque is outstanding and placing the stop payment on the cheque with the bank, Bank Reconciliation will request replacement of the original cheque.

- NOTE:**
1. The process outlined above is sequential, i.e., a replacement cheque will not be created by Manitoba Finance if the original has already been cashed.
 2. Once a stop payment has been issued, this will automatically lead to a replacement cheque authorized by the Central Finance, Bank Reconciliation Accountant.

Departments are not to circumvent this process, as the process ensures that duplicate payments are not made, and that the Province is properly indemnified.

GENERAL

There may be instances whereby Province of Manitoba cheques are returned to the Department of Finance by the Post Office because they are undeliverable for a variety of reasons (e.g. incorrect address). All undeliverable cheques are returned to the Bank Reconciliation section, Department of Finance, who are responsible for facilitating the processing of such items.

PROCEDURES

1. The Department of Finance, Bank Reconciliation will receive an undeliverable cheque from the Post Office, and determine which department issued the cheque.
2. Bank Reconciliation will document the following information as indicated on the original cheque:
 - payee name and address
 - original cheque number
 - original cheque issue date
 - original cheque amount
 - central financial system document number
 - reason for return of cheque
3. Bank Reconciliation will forward the above information to the originating department.
4. Originating department is to identify the missing information, provide return instructions for the particular cheque, and return the instructions to Bank Reconciliation.
5. Bank Reconciliation will then re-distribute the cheque according to the instructions provided by the department.
6. For those cheques produced in error, or where the payee cannot be located, Bank Reconciliation will re-deposit said cheques on an annual basis. As the original cheques were drawn upon previous year's budgets, the deposit will be made to the G/L Account 5401801 - "Refund of Prior Years' Expenditures".

POLICY

There may be instances where it becomes necessary to cancel a previously issued Province of Manitoba cheque. Only the issuing department may request a cheque cancellation, and only current year cheques may be cancelled.

- NOTE:**
1. Only current year cheques will be cancelled. Cheques produced in a previous fiscal year must be re-deposited to the G/L Account 5401801 - "Refund of Prior Years' Expenditures".
 2. For Purchase Order based documents, cancelling a cheque includes reversing the invoice, thus "recreating" the Goods Receipt/Invoice Receipt" (GR/IR). The GR/IR must be assessed (and cleared, if necessary) by the department, as per normal requirements.

PROCEDURES

Refer to [Central Accounts Payable Intranet site](#) for procedures

There may be instances whereby a Province of Manitoba cheque has been lost or stolen, but not cashed, and a replacement cheque is required. In instances where loss or theft is suspected, departments should request a cheque inquiry (see Section [8D-1.0](#)) to determine the status of the particular cheque in question.

PROCEDURES

1. If the cheque inquiry confirms that the cheque in question has not been cashed, and the payee insists that they did not receive the cheque, the department should request the Department of Finance, Bank Reconciliation, to place a stop payment on the original cheque (see Section [8D-1.3](#)), and initiate proceedings to have the original cheque replaced.
2. The department must forward a [Stop Payment Request](#) to the Department of Finance, Bank Reconciliation, to request that a cheque payment be stopped and re-issued, and provide the following information:

- name and address of department/business area
- name and telephone number of departmental contact person
- original cheque serial number
- original cheque issue date
- original cheque amount
- original payee name and address

3. The Department of Finance, Bank Reconciliation will prepare a Statutory Declaration and Undertaking by completing all pertinent information, and will forward the form to the payee.

NOTE: Bank Reconciliation will only prepare the Statutory Declaration and Undertaking for amounts over \$150 where it involves an individual, and for amounts over \$750 involving companies and licensed practitioners.

4. The payee is then to complete the required sections of the declaration, and sign it in front of a Notary Public, a Commissioner for Oaths, or Postmaster.
5. The original signed form must then be returned to the Department of Finance, Bank Reconciliation.
6. Upon receiving the declaration, Bank Reconciliation will initiate replacement cheque procedures.
7. When the replacement cheque has been prepared, it will be forwarded to the payee.



There may be instances whereby a Province of Manitoba cheque has been forged, that is, the cheque has been cashed, but not by the intended payee, and a replacement cheque is required. In instances where forgery is suspected, departments should request a cheque inquiry (see section [8D-1.0](#)) to determine the status of the particular cheque in question.

PROCEDURES

1. If the cheque inquiry confirms that the cheque in question has been cashed, and the payee insists that they did not cash the cheque, the department should initiate proceedings to have the original cheque replaced.
2. The department must forward a memo to the Department of Finance, Bank Reconciliation via e-mail (Bankreconciliation@gov.mb.ca), stating that their client did not cash the cheque in question and provide the following information:
 - name and address of department/business area
 - name and telephone number of departmental contact person
 - original cheque serial number
 - original cheque issue date
 - original cheque amount
 - original payee name and address
3. The Department of Finance, Bank Reconciliation will prepare a Statutory Declaration and forward it along with a photocopy of the cashed cheque (marked "Exhibit A") to the requesting department or directly to the payee.

NOTE: The Statutory Declaration will be prepared for all cheques where the intended payee has not been paid. The Canadian Payments Association time limitation for return to the bank is 6 years for reason of "forged endorsement" or "intended payee not paid".

4. The payee is then to complete the appropriate sections of the declaration, sign it in front of a Notary Public, Commissioner for Oaths or Postmaster, and return the original to the Department of Finance, Bank Reconciliation.
5. Upon receiving the declaration, Bank Reconciliation will forward all documentation to the Bank.
6. If it is deemed that the intended payee has not been paid, the Bank will credit the Province's bank account and forward a credit notice to the Bank Reconciliation section. If it has been determined that the intended payee was paid, the documentation will be cancelled and the department will be so notified.
7. After receiving a credit notice from the Bank, the Department of Finance, Bank Reconciliation will initiate replacement cheque procedures, and once prepared, the replacement cheque will be forwarded to the payee.
8. If the cheque was cashed outside Canada, the rules and procedures will vary. Please contact the Manager, Banking and Credit Analysis, Treasury Division for assistance.



Statutory Declaration

CANADA
PROVINCE OF MANITOBA

IN THE MATTER OF

TO WIT:

I, _____ of the

Strike out
words not
applicable

City
Town
Post Office

of _____

in the Province of Manitoba, do solemnly declare

1. THAT, I am the payee of the above mentioned cheque;
2. THAT, I did/did not receive the above mentioned cheque;
3. THAT, I did not endorse or cash the said cheque nor authorize anyone to endorse or cash it on my behalf;
4. THAT, the above mentioned cheque is lost.

AND I make this declaration conscientiously believing it to be true and knowing that it is of the same force and effect as if made under oath and by virtue of "The Canada Evidence Act."

DECLARED before me at the _____

of _____
(City, Town or Post Office)

in the Province of Manitoba this _____

day _____ of _____

(Person Making Declaration - sign here)

A.D. 20 _____

(Commissioner for Oaths, Postmaster, or
Notary Public - sign here.)

A _____ in and for the Province of Manitoba.

My Commission expires _____
(date)

Form A
Undertaking

I, _____

of _____

(City, Town or Post Office)

in the Province of _____

Undertake:

That if the Province of Manitoba Cheque Number _____

_____ dated _____

drawn on _____ (Bank) in favor of

_____ in the amount of \$ _____

should come into my possession again, I will return it uncashed, to the Minister of Finance of Manitoba, Winnipeg, AND THAT if another cheque is issued in the place of said Cheque Number _____ referred to above, I agree to indemnify and save harmless Her Majesty from all loss and damage, and from all cost and charges which may arise from the loss of the said cheque and the issue of a new cheque provided the loss of the said cheque is fairly attributable to my neglect or default.

DATED at _____ this _____ day of

(City, Town or Post Office)

(Day of Month)

_____ A.D. _____

(Month)

(Year)

Signed, Sealed and Delivered in the

presence of _____

(Witness - sign here)

}

(Signature)

(Seal)

The policies and procedures that follow describe the conditions under which advances are issued and controlled.

NOTE: This section is **not** applicable to loans as distinct from advances. Loans are a separate category of disbursement made pursuant to enactments and subject to special terms and conditions relating to authorization, eligibility, collateral requirements, and terms of repayment, including interest.

DEFINITIONS:

An advance is a payment or provision of funds made before a return is received. Advances constitute a special category of accounts receivable which must be repaid or accounted for in accordance with policy. The funding source for all advances of the government is the Consolidated Fund. All advances may be identified as being either long term or short term.

Long Term Advance - Also known as a continuing advance, a long term advance is a fixed amount withdrawn from the Consolidated Fund for the purpose of reimbursing expenditures on a continuing basis and reimbursed to that fixed amount each time an accounting for expenditures is made. This includes petty cash advances, and travel advances for employees who travel on a frequent and regular basis, and continuing working capital advances. Long term advances are available only for government employees and agencies, and may be carried forward from fiscal year to fiscal year. Long term advances must also be confirmed annually in writing by the holder of the advance. See 8E-3.0.

Short Term Advance - Also known as a temporary advance, a short term advance is a fixed amount withdrawn from the Consolidated Fund for a fixed period of time (to be repaid or accounted for within thirty days of completion of the purpose for which monies were advanced) and for a specific purpose. This includes, among other types, business trip advances (as distinct from long term or continuing travel advances), short term working capital advances, contract advances to suppliers, and relocation advances. Short term advances must be settled by March 31 unless travel occurs within the last 30 days of the fiscal year end. See 8E-4.0.

Advances are further categorized according to purpose:

Accountable Advance - A payment issued from the Consolidated Fund made to an individual employee as required to facilitate the performance of his/her duties, including advances for petty cash, travel, relocation and other approved purposes (excluding an advance in respect of salary or wages). See 8E-5.1.

Salary Advance - A payment issued from the Consolidated Fund, recovered through the payroll system, made to an individual employee or new appointee to meet legitimate salary or wage requirements associated with vacation or emergency situations. Please refer to the FAM Volume 3 sections P1-8.1 and P1-8.2 available through your Pay and Benefits office.

Contract Advance - A payment issued from the Consolidated Fund made to a supplier in advance of receipt of goods or services and in accordance with the terms of a contract or agreement entered into on an authoritative basis (Act, Agreement, Order-in-Council, etc.). See 8E-5.4.

Working Capital Advance - A payment issued from the Consolidated Fund made to a government-funded body for cash flow purposes on an authoritative basis under an Act (e.g. [Special Operating Agencies Financing Authority Act](#)) or approved through an Order-in-Council (OIC). See 8E-5.4.

Effective April 1, 2020 any monies being advanced to a government funded body for cash flow purposes not authorized through an Act or OIC must be issued as a Grant and follow the policies set out in FAM Section [8B-2.4](#) and General Manual of Administration.

NOTE: Advance payments which may be required for the purchase of publications and subscriptions are **not** considered advances in the context of these policies. For the relevant procedures, please see Section [8E-5.5](#), "Non-Contract Advance Payment to Suppliers".

In the context of these policies, an **employee** shall be considered any person receiving a wage, salary, or other remuneration in return for services rendered to the government in connection with government business, but excluding persons performing a service for a fee which includes expenses.

OBJECTIVE:

Policies and procedures are documented for the purpose of ensuring that all advances are:

- issued in appropriate amounts that are neither excessive, resulting in significant interest cost to government, nor insufficient such that operational activities are impeded
- properly authorized and recorded
- recovered or fully accounted for in accordance with stipulated deadlines
- properly reconciled with the government's central financial and accounting system
- reported upon at year end in accordance with the requirements of the Public Accounts

1. All requests for advances must be properly documented including a full explanation as to the reason for the request.
2. All requests for advances must be properly authorized in accordance with approved delegation of financial signing authority.
3. Advances may be requested for petty cash purposes, travel, or other eligible expenses that would reasonably be expected to be incurred while conducting business on behalf of the government.
4. Advances are to be issued only in appropriate amounts that are neither excessive resulting in significant interest cost to government, nor insufficient such that operational activities are impeded.
5. Requests for advances and for replenishment of advances should be submitted with due consideration for normal processing time to enable cheque requirement dates to be met.
6. No funds in respect of an advance are normally to be made available to the proposed recipient of the advance more than one week prior to the date required. (On an exception basis, funds may be provided earlier only where warranted by extraordinary circumstances.)
7. Co-ordination of advances at the department level is the responsibility of the departmental Executive Financial Officer (EFO).
8. No additional advance is to be issued to any previous recipient of an outstanding advance which is more than 30 days beyond the established repayment date.

NOTE: Any advance not accounted for to the satisfaction of the departmental EFO will be considered outstanding.

9. The recipient of an advance is directly accountable for safeguarding the funds advanced, repaying or accounting for said funds within established time frames, and ensuring that said funds are expended solely for the purpose for which the advance was issued.
10. The person authorizing an advance is accountable for ensuring that the recipient of an advance adheres to all applicable policy requirements governing that advance.
11. All short term accountable advances must be repaid/accounted for by the receiving department within 30 days following fulfilment of the purpose for which the advance was made. (On an exception basis, the short term advance period may only be extended upon approval of business case from Bank Reconciliation, Department of Finance.)
12. Appropriate records of all advances completed are to be maintained until such time as the advance has been repaid or accounted for in full.
13. Where all or a portion of an advance is not claimable and must be repaid, repayment may be made by personal cheque or money order payable to the Minister of Finance.
14. In those instances where an advance is normally repaid and/or accounted for through the submission of an approved employee expense claim form, appropriate documentation must accompany the claim, such as receipts for expenses incurred, in accordance with the applicable policies contained in the [General Manual of Administration](#) (GMA).

15. Where an employee, in contravention of established policy, has not fully repaid or accounted for an advance, the outstanding amount owing may be deducted from any amount due to the employee by the government in accordance with established policy governing set-offs.
16. Where arrearage requires that an advance or any portion thereof be deducted from any amount due to an employee by the government, prior written notice of the set-off should be conveyed to the employee as is practical given the circumstances of the situation.
17. Departments must establish and maintain procedures to ensure that all outstanding advances issued to government employees are repaid or accounted for prior to the termination of employment by the employee and the receipt of the final pay cheque by that employee.
18. No obligation on the part of a recipient of an advance to account for/repay an advance will be considered terminated until the repayable portion of the advance is remitted in full, and all appropriate expense claims pertaining to the non-repayable portion of the advance have been processed through the central financial and accounting system.
19. At the end of the fiscal year, all advances must be repaid or accounted for by the recipient. Accountability for follow-up on outstanding advances at the end of the fiscal year rests with the person who authorized the advance.
20. All advances must be reported upon at fiscal year end in accordance with Public Accounts requirements as outlined in [The Financial Administration Act](#).
21. Advances which are considered uncollectible are to be written off in accordance with the government's current policy on write-off of receivables (See Section [7E-3.5](#)).

In addition to the foregoing statements of general policy ([8E-2.0](#)), the following policies apply to long term advances:

1. Long term advances are available only to government employees and agency staff, and may be carried forward from fiscal year to fiscal year.
2. A long term advance may only be issued when a legitimate ongoing requirement can be demonstrated, i.e., where a bona fide need exists for which all available alternative funding arrangements would result in reduced efficiencies, reduced effectiveness of operations or imposition of undue hardship on an employee.
3. The amount of any long term advance is to be calculated based on the nature of the expense, the frequency of reimbursement, and the forecasted level of out-of-pocket expenditures for the period to be covered by the advance. This is determined by the duration of the reimbursement cycle, ensuring that the advanced amount is neither excessive nor insufficient relative to the requirements contemplated.
4. Long term advances issued to employees must be reviewed relative to justification by the person who originally authorized the advance and must be accounted for no less frequently than on an annual basis. Substantial amounts may justify more frequent review.
5. Long term advances must be repaid and/or accounted for by the employee to whom the advance was made upon termination of employment, or upon a requirement to permanently transfer responsibility for the long term advance to another employee, or when the need on which the advance was originally based expires.

NOTE: For petty cash advances, refer to "Petty Cash Advances", point #8 below for additional detail.

6. All long term accountable advances outstanding at the fiscal year end must be confirmed via a written acknowledgement of responsibility obtained from the holder of each outstanding advance by the date specified in the year end FAIC directive.

PETTY CASH

1. A long term advance, intended for the purpose of establishing a petty cash fund, may be requested to facilitate small and miscellaneous payments related to an organizational unit's operational requirements for which payment by cheque or direct deposit is not practicable. Such requests are subject to the approval of the EFO or designate.
2. The authorized amount of a petty cash advance should not exceed the amount necessary to meet contemplated expenditures. In general, petty cash funds should normally not exceed \$200.00.
3. Single petty cash payments should not normally exceed \$25.00, and no petty cash payment is to be made for purposes of circumventing established government procurement practices.
4. Petty cash funds are to be reimbursed/accounted for as often as necessary to ensure a sufficiency of funds, that they are used properly, and that they are adequately protected against loss or misuse.

5. All disbursements must be supported by appropriate invoices or receipts as applicable, in accordance with the relevant policies concerning allowable expenses as contained in the [General Manual of Administration](#).
6. The holder/custodian of the petty cash fund should, be a continuing, full-time employee who has no other responsibilities associated with the handling of accounts receivable or account verification and payment requisitioning.
7. The holder/custodian of the petty cash fund should be provided with written instructions on the control and safe-keeping of petty cash advances and should be required to sign a statement that the instructions have been received, read, and understood.
8. Custody of a petty cash fund should not change unless a transfer of responsibility is effected:
 - a) by obtaining a refund of the existing advance from the present holder and the requisitioning of a new advance in favour of the new holder,

OR

- b) by a written record of a temporary transfer, including a summary of the cash count and vouchers on hand, signatures of the transferor and transferee, and verification by the supervisor of the transferee. The above information must be forwarded to departmental accounting and to Central Finance, [Bank Reconciliation](#).

NOTE: The necessary entry to be made in the SAP system to reflect all transfers of responsibility for petty cash funds must be made by Central Finance, Bank Reconciliation. Departments are not to directly create any transfers of responsibility for accountable advances in the SAP system.

9. Petty cash funds should be checked at least once a week by the holder/custodian to ascertain that no theft or loss has taken place when disbursements out of the petty cash fund are not made frequently.
10. Periodic unannounced verifications of the petty cash advance should be made by the holder's supervisor to determine whether the funds are being used properly and to ensure that they are adequately protected against loss or misuse and are properly accounted for.
11. The holder of the petty cash fund must not use said funds for making personal advances to employees or for cashing cheques.
12. The holder of the petty cash fund is responsible for its operation in accordance with these policies and for its proper safeguarding. Any significant or recurring loss of petty cash funds is to be reported immediately to the holder's supervisor and other appropriate authorities. (Other than losses in excess of \$100.00, which **must** be reported to the police, discretion will prevail in determining whether or not a loss should be reported to the Department of Justice, Protective Services and to the police.)
13. Where a deficiency in the fund is disclosed and verified, the holder of the fund is responsible for reimbursing the deficiency if such loss is the result of negligence, whether by act or omission, or criminal activity, on the part of the holder.

TRAVEL

1. Long term travel advances may be made available only to employees whose duties require frequent and regular travel, the circumstances of which make the use of short term travel advances impractical.
2. The holder of a long term travel advance should not request additional short term travel advances except as may occasionally be required to cover that portion of estimated expenditures in excess of the amount of the long term travel advance remaining available at the time.
3. Activity associated with the utilization of long term travel advances is to be in accordance with the [General Manual of Administration](#).



In addition to the foregoing statements of general policy ([8E-2.0](#)), the following policies apply to short term advances:

1. Short term advances must be settled by March 31 unless travel occurs within the last 30 days of the fiscal year end.
2. The amount of any short term advance should be an amount sufficient to cover the expenditures that can reasonably be expected to be made from the advance during the period for which the advance is made.
3. Requests pertaining to the issuance of, and repayment dates associated with short term accountable advances for purposes other than travel are subject to the approval of the Executive Financial Officer or designate.
4. Short-term advances may **not** be used to fund employee salary advances. Please see "Employee Salary Advances" below.

Note: Effective April 1, 2020 any monies being advanced to a government funded body for cash flow purposes not authorized through an Act or Order in Council must be issued as a Grant and follow the policies set out in FAM Section [8B-2.4](#) and General Manual of Administration.

TRAVEL (TEMPORARY)

1. Activity associated with the utilization of short term travel advances is to be in accordance with the [General Manual of Administration](#).

ADVANCES TO SUPPLIERS (CONTRACT)

1. Due diligence should be exercised in ascertaining the risk of advancing funds to any supplier.
2. Advances should be issued only where so provided for in the terms of a contract with a supplier, and may only be made to suppliers where:
 - the supply of the goods or services cannot be made by an alternate supplier with less stringent payment terms
 - no alternative goods or services will meet a department's needs
 - special cost advantages to the government can be obtained and
 - the supplier is financially responsible (i.e., credit worthy).
3. Departmental records must include a copy of the signed contract and, as a minimum, contain the following information:
 - name and address of the supplier
 - nature of the special goods or services to be supplied
 - amount of advance
 - date of advance payment
 - date goods or services received
 - value of goods or services received

- resulting net outstanding advance

EMPLOYEE SALARY ADVANCES

1. Salary advances can only be processed through the regular payroll system and only in those instances where the regular pay of an employee has been delayed for an unreasonable period of time thereby imposing a hardship on the employee.
2. Employee salary advances can only be made through the approved process as detailed in The Financial Administration Manual, Volume 3, sections P1-8.1 and P1-8.2 available through your Pay and Benefits office, and **cannot** be made through the issuance of a regular accountable advance.
3. Advances made to employees originating from a verifiable requirement for salaries/wages are not, in any instance, to exceed the amount due to the employee based on credited service less any payroll deductions. In addition, advances in respect of vacation time are not to exceed the amount that would normally be paid on all paydays falling within the term of the vacation.
4. Salary and wage advances are to be recovered from the next regular payroll due to the employee. In recovering a salary advance from an employee, consideration may be given to any undue hardship imposed on that employee resulting from the recovery of the advance from the next regular payroll.

Procedures are provided for the purpose of facilitating consistent compliance with policies governing the issuance, recovery and accounting for advances. Since the applicability of all procedures is not uniform relative to all types of advances, the procedures in the following sections are segregated according to type of advance.

NOTE: Departments are responsible for documenting, implementing and maintaining internal, department-wide procedures to verify advance applications, cheque requisitions, repayments, account balances and annual confirmations.

REQUEST AND ISSUANCE OF ACCOUNTABLE ADVANCES

Accountable advance funds are issued from the Consolidated Fund, and not from a special/separate bank account as was formerly used for this purpose.

Issuance and administration of accountable advances is a departmental responsibility, normally delegated to the departmental Executive Financial Officer (EFO). This includes the responsibility for issuing and balancing the accountable advance accounts for their respective areas. Departments are responsible for processing the transactions to issue the advance, and for distributing the cost of the expenses to the appropriate cost elements.

Advances are requested on the "Manitoba Expense Claim" form, utilizing the portion of the form pertaining to accountable advances. The expense account form is designed to issue both short and long term advances, and to automatically facilitate the repayment of advances when the expenses are processed through the central financial system.

NOTE: All employees requesting advances are required to sign the "payback certification" section of this form (See procedures below).

Departments are to establish Funds Reservations for all long and short term accountable advances issued during the fiscal year. Deletions and additions to these Funds Reservations are to be managed on a continual basis by the department.

Advances are entered into the central financial system as Non-Purchase Order invoices, using a special G/L indicator to allow Central Finance to monitor the un-expensed monies until expense reimbursement/settlement.

PROCEDURES

Issuance:

1. Employees are to complete the request for Accountable Advance section of the Manitoba Expense Claim form as follows:

Field	Information
Business Advance Type	indicate whether advance is long or short term
Main Purpose	indicate purpose of advance
Date Required	enter date advance is required
Repayment Date	enter repayment date (30 days following completion of event giving rise to the advance)
Business Reason	enter full particulars of business requirement for application of accountable advance
Claimant Certification	ensure employee has read the certification area, and that the signatures of the employee, immediate supervisor and departmental Executive Financial Officer (EFO) (or equivalent) have been obtained

2. Employees are to forward the request to departmental management.
3. Departmental management will review the request, and if approved, forward the request to the departmental Accounts Payable section for processing.
4. Where required, departmental accounting should manually create a Funds Reservation to ensure funds availability for the accountable advance. When establishing the Funds Reservation, ensure that it will cover the total estimated costs, not just the accountable advance portion. For details, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 3 - "General Accounts Payable Knowledge"](#) or the SAP, "Program Accounting" Training Manual, [Chapter 5 - "FM Master Data and Budgeting"](#).
5. Departmental accounting will enter the details of the accountable advance into the central financial and accounting system, following which the employee's accountable advance payment will be produced and distributed.

Repayments/Settlements:

1. In compliance with applicable policies, departments must receive from the advance recipient either a repayment of funds and/or appropriate documentation relating to expenditure of the funds (please refer to the [General Manual of Administration](#) (GMA) concerning appropriate expenditure documentation).
2. Where the entire advance and/or more is used and accounted for, departments are to complete the settlement to the employee, including net expense reimbursement where applicable. For details, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice – Non-PO"](#), - "Post a Manual Expense Claim with Repayment of Accountable Advance (Expenses more than advance)".
3. Where less than the entire advance is used, a portion of the advance is being expensed and the balance is being paid back to the Province. Departments must **first** process the expense claim(s) for that portion of the accountable advance that has been expensed (up to the amount of the expenses). The employee is then responsible for repaying the outstanding amount to the designated departmental co-ordinator, who will then forward the amount to Central Finance, Bank Reconciliation. This outstanding amount **must not** be forwarded to Central Finance until the total expenses have been entered into the SAP system (see point #4 following). For details, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice – Non-PO"](#), - "Post a Manual Expense Claim with Repayment of Accountable Advance (Expenses less than advance)".
4. Where employees repay their outstanding accountable advance balances by personal cheque, money order, or a returned Province of Manitoba expense cheque, departmental co-ordinators must forward these payments, complete with proper supporting documentation, to Central Finance, Bank Reconciliation, for processing through the central financial and accounting system (SAP).

NOTE: Departmental co-ordinators **are not** to forward this outstanding amount until the total expenses have been entered into the SAP system, as per point #3 above.

If the employee repays the advance via payroll deduction, Central Finance, Bank Reconciliation must clear the payroll suspense account and repay the advance through the central financial and accounting system.

5. Where an advance is fully un-used, and either the un-cashed accountable advance cheque or a personal cheque to repay the advance is received, all information, including the payment, will be transferred to, and the entries made, by Central Finance, Bank Reconciliation.
6. To ensure the policies on collection and timely repayment of accountable advances are being followed, Bank Reconciliation will, on a monthly basis, run a short term outstanding accountable advance report, and conduct a review of all outstanding balances in all departments as indicated by the report.

Where required, Bank Reconciliation will identify and take action regarding:

- employees with unreasonable outstanding accountable advance balances;
- employee line items where accountable advances are in a credit position
- employees with duplicate vendor numbers

Departments will be contacted by Bank Reconciliation and requested to provide explanations concerning the above issues, an expected repayment date of outstanding advances, and an explanation of the planned corrective action that is to be taken to address the issue(s).

7. If it is determined that the outstanding advance is deemed to be uncollectible and the employee is owed any monies (e.g., payroll) by the Province, it is a departmental responsibility to initiate collection through withholding any or all of these monies to repay the advances, or through other accounts receivable collection methods, including write-off (See Sections [8E-2.0](#) and [7E-3.5](#)).

NOTE: When an outstanding advance is deemed uncollectible, departments are nevertheless responsible for clearing the outstanding balance, either as a charge to the appropriation or as a charge against their allowance for doubtful accounts (See Section [7E-2.0](#) for details).

8. Departments should maintain an appropriate file/record system to facilitate tracking and periodic reconciliation of current advances for the purpose of ensuring effective departmental control.

YEAR-END REQUIREMENTS AND PROCEDURES

In compliance with the provisions of [The Financial Administration Act](#), all advances issued prior to April 1st must be repaid or accounted for on or before the last working day in March of the applicable fiscal year. The following activities, singly or in combination, will be considered to satisfy this requirement:

- the recipient of an advance providing repayment of the advance to the department on or before the last working day of March;
- the recipient of an advance providing appropriate documentation (approved expense account claim form, etc.) to the department on or before the last working day of March;
- the recipient of a long term advance providing confirmation of the outstanding balance of the advance to the department on or before the last working day of March.

Failure of an advance recipient to comply with the above will result in an advance being reported as outstanding in the Public Accounts of the Province.

NOTE: Failure on behalf of departments to ensure that a deposit is received by the Minister of Finance in time to be recorded as an old-year transaction will result in the requirement to report the advance in question as outstanding (Please refer to the current Fiscal Year-End Financial Administration Information Circular (FAIC) for "old year/new year" deadline dates).

Departments are required to complete both an "[Accountable Advance](#)" form (See below and page 6 following), as well as a "Summary Approval" letter indicating those accountable advances issued by the department (See pages 7-8 following).

Fiscal Year-End Procedures:

1. Departmental accounting is to complete the following fields of a separate "[Accountable Advance](#)" form for each accountable advance currently in the possession of each employee:

Field	Information

1	name of the employee holding the advance
2	date on which the form is forwarded to the employee
3	employee vendor number(s)
4	business area (department) name or number
5	total current amount of accountable advance

2. Once the above fields have been completed, the forms are to be forwarded to the respective employee(s), who are required to complete "Part A", and where applicable, "Part B" of the form, provide their signature and return to departmental accounting. Note that Short Term advances are only provided where travel occurs within the last 30 days of the fiscal year and Part B must be completed during those instances.
3. Once all employee confirmation forms have been completed and returned, departmental accounting should prepare a listing (arranged by employee vendor number) indicating the employee name and the total advance(s) outstanding as of 4:00 p.m. on the last working day in March, including the total continuous portion and the total non-continuous portion.
4. Departmental accounting should examine the list for unnecessary advances and note same for further action.
5. The listing is to be attached to a completed "[Summary Approval Letter](#)", along with the completed employee confirmation forms, and forwarded to Central Finance, Bank Reconciliation on or before the date indicated in the current Fiscal Year-End Financial Administration Information Circular.

NOTE: Please ensure that the confirmations and Summary Approval Letters are submitted in vendor number order.

6. Central Finance, Bank Reconciliation will run a report on all outstanding accountable advances as at March 31st for all departments. They will review the confirmations against this report to determine:

- If the amounts owed by each employee reconciles to that which is reflected in the report;
- If there are any overdue accounts. If so, Bank Reconciliation will contact the department for explanations and any necessary action
- If there are any other discrepancies between the confirmations and the report, including:
 - any confirmations that are not original
 - discrepancies in vendor number and/or amount of advance
 - discrepancies in type of advance (long versus short term)
 - discrepancies between the balance indicated on departmental summary sheets versus the balance indicated by the report

WRITE-OFF OF ACCOUNTABLE ADVANCES

Please see Section [7E-3.5](#), "Write-off of Account(s)", and, in accordance with the provisions contained therein, prepare and forward the appropriate documentation to:

Office of the Provincial Comptroller
Treasury Board Secretariat
opcmb@gov.mb.ca

POLICY

An Emergency Salary Advance (ESA) may be issued only when **all** three of the following conditions have been met:

- a) it is for regular pay only;
- b) the payment was unduly delayed (i.e. for an unreasonable period of time); and
- c) the missing payment has imposed a financial hardship on the employee.

REQUEST AND ISSUANCE

Emergency salary advances are initiated at the request of the employee, but must be submitted to, and recommended by the departmental Pay and Benefits (P&B) office for final approval by the Central Payroll Office.

PROCESS

The P&B office will calculate the amount of the advance and complete an "[Electronic Deposit of Pay Advance Request](#)" form. P&B will input the transaction into the central financial and accounting system to create the recovery of the advance. The request form is then forwarded to the Department of Finance, Central Payroll Office for verification, approval and processing of the deposit.

NOTE: Only employees exempt from direct deposit requirements may receive a physical cheque. In those occasional incidents, the P&B office will complete additional documentation as required.

RECOVERING THE ADVANCE

The amount of the advance is automatically deducted from the employee's subsequent pay, utilizing the data entered in the central financial and accounting system. In special situations, the advance may be recovered over a longer term by instalment payments, however special approval to do so must be obtained from the Central Payroll Office through submission of a "[Long Term Recovery Request](#)".

The Employment Standards Code states:

Time of Payment of Vacation Allowance

"39(3) Unless the employee otherwise agrees, the employer shall pay the vacation allowance to the employee not later than the last working day before the employee's annual vacation begins."

Employees may, in accordance with the above condition, request a salary advance for the period of their annual vacation.

REQUEST AND ISSUANCE

Vacation salary advances are initiated at the request of the employee. The employee must have sufficient vacation credits to cover the extent of the advance requested. Requests are to be submitted to the departmental Pay & Benefits (P&B) office.

PROCESS

The P&B office will calculate the amount of the advance and complete an "[Electronic Deposit of Pay Advance Request](#)" form. P&B office will input the transaction into the central financial and accounting system to create the recovery of the advance. The request form is then forwarded to the Department of Finance, Central Payroll Office for verification, approval and processing of the deposit.

NOTE: Only employees exempt from direct deposit requirements may receive a physical cheque. In those occasional incidents, the P&B office will complete additional documentation as required.

RECOVERING THE ADVANCE

The amount of the advance is automatically deducted from the employee's subsequent pay, utilizing the data entered in the central financial and accounting system. If the employee has received a vacation salary advance that covers more than one pay period, the recovery of the advance will occur over the corresponding number of pay periods. The recovery process to be followed is the same as that for an Emergency Salary Advance (see Section [8E-5.2](#)).

For details on the vacation salary advance process, please refer to the SAP "HR Master Data" Training Manual - Chapter 9 - "[Advances, Stop Payments and Recoveries](#)", referencing the "Emergency Salary Advance" section. Please refer to the FAM Volume 3 sections P1-8.1 and P1-8.2 available through your Pay and Benefits office.

There are instances whereby the government will make advance payments to suppliers as part of a contract, or to provide an advance of working capital to a government-funded entity (as authorized through an Act or Order in Council) prior to the receipt of goods or the provision of services. Adequate spending and accounting control is required in such instances to safeguard against double payment to a supplier or government-funded entity of the original contract amount advanced.

NOTE: This Section does not apply to "non-contract" pre-payments to suppliers. These instances are detailed in Section [8E-5.5](#).

DEFINITIONS:

Contract Advance - a payment made to a supplier in advance of receipt of goods or services and in accordance with the terms of a contract or agreement.

Working Capital Advance – a payment issued from the Consolidated Fund made to a government-funded body for cash flow purposes on an authoritative basis under an Act (e.g. Special Operating Agencies Financing Authority Act) or approved through an OIC. The accounting for working capital advances will occur as payments made under [Section 44 of The Financial Administration Act](#).

Note: Effective April 1, 2020, any monies being advanced to a government funded body for cash flow purposes not authorized through an Act or OIC must be issued as a Grant and follow the policies set out in FAM Section 8B-2.4 and General Manual of Administration.

CRITERIA FOR ISSUANCE:

1. There must be Legislative or other authoritative basis (Act, Regulation, agreement, Order-in-Council) for a department to establish a contract or working capital advance.
2. Specific reference to the advance must be included in the contract or agreement between the government and the supplier.

PROCEDURES:

There are three distinct components to the process:

- request and issuance of the advance
- recovering/repaying the advance, and
- carrying/renewing the advance from one fiscal year to another.

Request and Issuance:

1. Obtain and review authoritative basis re: request for advance (copy of the contract/agreement/Order-in-Council).
2. Ensure that the documents specify the advance payment amount and the conditions associated with the payment and control of the advance payment amount.
3. The contract/agreement is to be entered into the central financial and accounting system as a purchase order based payment, which establishes a fund reservation.

4. The advance is then entered into the central financial and accounting system as a non-purchase order based payment, as a charge to the General Ledger (G/L) Account 1033320 - "Advance Other - Sundry".

Recovering the Advance:

NOTE: Short term working capital advances are normally recovered from the final payment and must, unless otherwise approved by the Provincial Comptroller, be fully recovered by fiscal year-end in time to be recorded in the appropriate fiscal year.

1. Progress payments are made less the draw-down amount of the advance.
2. Where the amount advanced is not fully recovered from payment(s) to the recipient and there remains an amount to be refunded to government, a journal entry must be utilized to process the refund. For further details on processing credit memos, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 5 - "Process Vendor Invoice with Purchase Order"](#).

Carrying the Advance From One Fiscal Year To Another:

NOTE: These procedures are applicable only to **long term** contract advances where the terms of the agreement extend beyond the current fiscal year, and to short term advances where prior approval has been received to carry forward.

1. Advances may be carried forward from year to year by changing the "Due On" date on the funds reservation in the central financial and accounting system.

NOTE: Please specify whether appropriation numbers have changed from one fiscal year to the next.

Write-Off of the Advance:

1. Where applicable, departments should follow the procedures and prepare and forward the appropriate documentation as specified in Section [7E-3.5](#).

NOTE: These procedures **do not** apply to any advance payment included in the terms of a contract with a supplier (See Section [8E-5.4](#)). The procedures that follow pertain to non-contract advance payments typically required when ordering books, periodicals and subscriptions, or registering for a course or conference.

POLICY

All payments made in advance of a periodical subscription, or a course, conference or other registration fee that exceeds \$2,500 requires the approval of the departmental Minister or Deputy Minister. Any such payments less than \$2,500 may be processed at the discretion of the department.

PROCEDURES

Non-contract advance payments are to be processed as non-purchase order based invoices in the central financial and accounting system. For further details, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#).

GENERAL

The Financial Administration Act states:

"**40(1)** Subject to subsection (2), a refund or repayment of an expenditure charged to an appropriation

(a) that is received in the same fiscal year as the expenditure was made may be credited to the appropriation against which the expenditure was charged; or

(b) that is received in a later fiscal year shall be credited to the revenue of the fiscal year in which it is received.

40(2) A refund or repayment from a government or government agency under an arrangement, agreement or Act that provides for cost sharing shall be credited to revenue."

These two sections of the Act provide for the accounting of recoveries to appropriations/accounts.

A recovery credited back to the original appropriation/account is a recovery, in whole or in part, of a payment previously made in the same fiscal year. The amount recovered is credited to the appropriation/account from which the original expenditure was made.

Recoveries may originate from four sources - from suppliers/vendors, between departments (Business Areas), between the government and organizations within and outside the government reporting entity, and from employees - and can occur due to one or more of the following reasons:

- an overpayment or duplicate payment for goods delivered, services rendered or work performed
- a recovery of amounts prepaid when no goods are delivered, no services are rendered, or no work is performed
- the return of defective goods
- the cancellation of a contract
- an overpayment or duplicate payment of employees' salaries, wages, pay or pay allowances
- a recovery of employees' salaries, wages, pay or pay allowances for those employees seconded to organizations outside the Consolidated Fund, (see "Secondments" below)
- a recovery from employees for personal use of government vehicles
- a recovery from employees for the employee parking program
- an interdepartmental cost sharing for non-recurring projects
- the unused portion of a transfer payment
- conferences/seminars funded from attendees' registration fees

NOTE: The following employee-related cost recoveries **cannot** be credited back to the appropriation/account to which the original expenditure was made, and **must** be deposited to revenue:

- recoveries from employees for the use of government facilities or services, e.g., personal use of a mobile device, telephone, photocopiers, etc.
- recoveries from the Manitoba Government Employees Union (MGEU) for employees absent on Union business (See Section [7E-4.0](#)).

Occasionally, situations may arise where a department may recover the total cost, or a portion of the cost, for an unplanned event such as a chemical spill, forest fire, etc. from an outside source. In these exceptional instances, departments are required to contact the Executive Director, Public Accounts for a ruling on whether funds recovered can be used to reimburse the expenditure appropriation originally charged.

POLICY

Revenues and expenses are to be recorded on a gross accounting basis, unless specifically exempted.

Allowable recoveries for current year expenditure appropriations which are received **within the same fiscal year** are to be credited to the expenditure appropriation originally charged. Amounts received in the **following fiscal year** are to be deposited to the revenue account "5401801 - Refund of Prior Years' Expenditures".

In most instances, recoveries from organizations that are outside of the government reporting entity, or those within the government reporting entity which do not receive related funding from another appropriation are deemed to be revenue, and must be deposited to the appropriate revenue account.

Recoveries for Trust Accounts are to be deposited to those accounts in the year in which the monies are received.

1. Recoveries From Suppliers/Vendors:

As per the above, recoveries of overpayments/duplicate payments to suppliers/vendors that occur in the same fiscal year may be deposited directly to the original expenditure appropriation. Recoveries that occur in subsequent fiscal years must be deposited to revenue.

a) Cheque

A cheque is the usual method used by suppliers for the repayment of a duplicate payment or overpayment, and will result in a direct reduction to current year expenditure charges.

The processing of this type of recovery requires the preparation of a bank Deposit Slip and a Journal entry into the central financial and accounting system (See Section [7C-1.2](#)).

For detailed procedures, please refer to the SAP, "Accounts Receivable" Training Manual, [Chapter 5 - "Bill/Payment Processing"](#).

b) Credit Note

In some instances, suppliers will issue a credit note instead of a cheque to cover the repayment of a duplicate or overpayment. This will result in an indirect reduction to expenditures, as only the net amount of invoices being paid will be charged to the account.

For detailed procedures, please refer to the SAP, "Accounts Payable" Training Manual, [Chapter 4 - "Process Vendor Invoice - Non-PO"](#) or [Chapter 5 - "Process Vendor Invoice with Purchase Order"](#).

2. Recoveries From Other Appropriations/Business Areas/Other Government Organizations:

When monies are recovered from other appropriations/business areas within the Consolidated Fund, such recoveries are to be credited to separate recovery sub-appropriations established specifically for this purpose. Where such sub-appropriations do not exist, recoveries may be made directly to the expenditure appropriation, depending on the materiality and the frequency of the recovery. Where recoveries are or will be of an ongoing nature, and where recovery sub-appropriations do not exist, such sub-appropriations should be established in consultation with the Executive Director, Public Accounts, and the Treasury Board Secretariat, at the next most opportune occasion.

Recoveries from entities/organizations within the government reporting entity (as defined in the Summary Financial Statements of the Government) are to be treated as a recovery from other appropriations as above, provided that the goods or services which are being recovered can reasonably be associated with subsidy funding being paid to the organization from another government appropriation.

In those instances where the government is being repaid by an organization within the government reporting entity for expenditures paid on its behalf, such repayments are to be credited to the departmental appropriation. For example, when pension and other benefits are being paid through the related benefits appropriation for Canada Pension Plan and Employment Insurance costs for a Special Operating Agency receiving its payroll services through the government, such costs are recovered back to the Benefits Appropriation. In such instances, approval to deposit to the departmental appropriation must be obtained in advance from the Executive Director, Public Accounts.

If the recovery of these costs occurs in the following fiscal year, the recovering department is to credit revenue account number "5401801 - Refund of Prior Years' Expenditures". The disbursing department is to indicate that the transaction is a late payment.

The processing of this type of recovery requires the preparation of an Inter-Business Area Transfer Journal (TJ) for input into the central financial and accounting system. For details, please refer to the SAP, "Program Accounting" Training Manual, [Chapter 2 - "Processing and Posting General Ledger Documents"](#).

3. Recoveries From Employees:

Recoveries for the overpayment or duplicate payment of employees salaries, wages, pay, or pay allowances are to be credited to the expenditure appropriation originally charged, regardless of fiscal year(s). This procedure is necessary to adjust the employee's tax records for T4 reporting purposes.

The processing of this type of recovery requires the preparation of documents for input to the central HR/Payroll System. Relevant procedures are detailed in Volume 3, subject P1-8.3 "Recovery of Overpayment of Salaries, Wages and Entitlements", and the SAP "HR Master Data" Training Manual, [Chapter 9 - "Advances, Stop Payments and Recoveries"](#).

The recovery of costs for the personal use of government vehicles is to be credited to the department's expenditure account(s) charged with the maintenance costs for government vehicles.

The recovery of costs for employee parking is to be credited to the department's expenditure account(s) charged with the maintenance costs for the employee parking program.

The processing of these types of recoveries requires the preparation of a Journal entry in the central financial system, using a Document Type "RD" (cash receipt document). For detailed procedures, please refer to the SAP "Program Accounting" Training Manual, [Chapter 2 - "Processing and Posting General Ledger Documents"](#).

4. Secondments:

Subject to the approval of the Provincial Comptroller, recoveries of salaries, wages, pay or pay allowances for staff who are seconded to organizations outside the Consolidated Fund may be deposited directly to the appropriation originally charged if the recovery is made in the same fiscal year that the expenditure is incurred. If the recovery is in relation to salaries paid in the previous fiscal year, such recoveries must be deposited to revenue.

- NOTE:**
1. This policy applies only to those secondment situations where it is deemed necessary to backfill the seconded employee's position. In instances where replacement of the seconded employee is not required, recoveries must be deposited to revenue.
 2. Recoveries from the Manitoba Government Employees Union (MGEU) for employees absent on regular Union business (i.e., not on secondment) must be deposited to revenue (See Section [7E-4.0](#)).

Procedures:

1. Departments must ensure that secondment arrangements are approved through established departmental processes.
2. Departments are to forward the following documentation to the Office of the Provincial Comptroller, c/o Executive Director of Public Accounts, via email (PublicAccounts@gov.mb.ca):
 - the name of the seconded employee
 - the appropriation from which employee is being seconded
 - the organization to which the employee is being seconded
 - a brief explanation of the secondment (including the nature of work the seconded employee will be performing)
 - the duration of the secondment arrangement
3. The Executive Director will review the information and advise the department if the cost recovery is appropriate.
4. If the cost recovery is approved, departments are to prepare the necessary billing for salaries and benefits to the organization to which the employee is being seconded.
5. Departments must ensure that payments received from the organization are deposited into the appropriate account:
 - a) If the recovery is in relation to salaries paid in the current fiscal year, the recovery may be made directly to the salary appropriation, crediting account "7130001 – Payroll Secondment & Recoveries Costs", or

- b) If the recovery is in relation to salaries paid in the previous fiscal year, the recovery must be deposited to the revenue account "5401801 - Refund of Prior Years' Expenditures".
- 6. Departments must ensure that payments made to the organization are expensed to the appropriate account:
 - a) If the payment is in relation to salaries for the current fiscal year, the payment may be made directly to the salary appropriation, debiting account "7130001 – Payroll Secondment & Recoveries Costs", or
 - b) If the payment is in relation to salaries paid in the previous fiscal year, the payment must be deposited to the expense account "7130001 – Payroll Secondment & Recoveries Costs".

5. Conferences/Seminars:

Subject to the approval of the Provincial Comptroller, all conferences or seminars which are to be funded from the attendees' registration fees, may be administered through a trust account. Trust accounts must be funded, therefore, registration fees must be collected **before** expenditures can be made. Trust accounts established for this purpose must be cleared out as soon as possible after the conference or seminar has been held, and in any event, no later than the end of the current fiscal year, unless specifically approved otherwise by the Provincial Comptroller.

Procedures:

1. When planning conferences or seminars to be funded by registration fees, departments are to contact the Executive Director of Public Accounts as early as possible, and provide the conference/seminar details.
2. Complete the appropriate trust account documentation forms and forward to the Executive Director.
3. If the request is approved, the Executive Director will cause a trust account to be established for the deposit of revenues and the issuance of payments.
4. Departments are to ensure that registration fees are collected **before** the requirement for making payments, since all such trust accounts will be controlled.
5. Immediately upon completion of the conference or seminar, departments are to proceed to finalize the operation of the trust account and complete the final accounting. Unexpended amounts resident in the trust account are to be closed to a sundry revenue account within the sponsoring department. **All accounting must be completed by the end of the current fiscal year.**

NOTE: In the event that the conference or seminar trust account cannot be closed by the end of the current fiscal year, the department must contact the Executive Director to explain the circumstances and to receive concurrence with carrying the account forward into the next fiscal year. Under no circumstances will the account be carried forward beyond the next ensuing fiscal year end.

This section describes the accounting and physical control required for financial and physical assets. Financial assets include cash balances and investments. Physical assets include inventories of materials and supplies (see section [9C](#)) and tangible capital assets (see section [9F](#)). Also included are both acquired and self-constructed capital items, as well as betterments (see section [9F-3.0](#)) to the existing capital asset. Some of these physical assets will be classified as tangible capital assets if they meet the capitalization criteria, which includes asset classes and capitalization limits. Each department is responsible for the management, administration and control of its assets. The Department of Finance, along with each department, will jointly administer tangible capital assets.

Effective acquisition, management and disposition of moveable assets is necessary in order to achieve effective management of cash resources. These assets may be purchased directly by a department for their own use or issued from inventory of another department, and can include such items as information technology equipment calculators, photocopy machines, laboratory equipment, vehicles, and office furniture and furnishings.

Through proper control of physical assets, each responsibility centre can be held accountable for the assets under its control, and decision-making regarding the acquisition and utilization of assets can be facilitated.

Statutory authority for the acquisition, management and disposal of government assets is contained in a number of statutes, the principal of which that apply government-wide being:

- [The Financial Administration Act](#) establishes that the Minister of Finance be responsible for banking, the investment of public money, the sale of securities and accounting systems.
- [The Land Acquisition Act](#) establishes the Land Management Services Agency with authority in all matters relating to the acquisition or expropriation of land by any authority.
- [The Public Works Act](#) sets out the conditions for the acquisition of property for public works, the management of public works, and the disposal of surplus property.
- [The Government Purchases Act](#) establishes the Procurement and Supply Chain Division with authority to arrange for the purchase of any and all commodities of any nature whatsoever that may be required for the use of the various departments.

The acquisition and management of assets is also contained in various administrative policies as established in:

- [General Manual of Administration \(GMA\)](#)
- [Procurement Administration Manual \(PAM\)](#)

The central financial and accounting system provides for the recording of cash and investments as assets in the General Ledger (G/L) at the time of receipt of purchase, thereby establishing the accounting control of the asset. Physical assets, however, are recorded in the central financial and accounting system as either an expenditure or a tangible capital asset at the time of purchase. In order to be recorded as a tangible capital asset, the asset must meet the guidelines as specified in Section [9F](#). Departments are responsible for processing the detailed capital asset transactions, while the Department of Finance executes the depreciation process and consolidates capital asset balances for financial statement reporting purposes. The Department of Finance also performs government-wide monitoring to ensure that departments have processed transactions appropriately. The Department of Finance also provides assistance for inter-departmental transfers and any other related transactions or issues. Asset transfers require Treasury Board approval and are typically

identified when annual estimates of expenditures are prepared. Asset transfers may also be needed due to mid-year re-organizations. For more information, refer to the [Re-organization Procedures Manual](#) or contact publicaccounts@gov.mb.ca.

Ongoing control of assets is considered desirable for the following reasons:

- for insurance purposes;
- to provide information for decision-making for current/future acquisitions;
- to ensure proper use of assets;
- to safeguard the assets;
- for internal control purposes.

Through proper accounting for physical assets, financial reports can be significantly improved, custodians can be held accountable for the assets under their control, and decision-making on the acquisition and utilization of assets can be facilitated.

The objectives of asset management are:

- To encourage efficient and economic use of government assets.
- To effectively safeguard and manage assets of the government as contemplated by legislation, regulation and directive.
- To ensure that acquisition and disposal of assets are properly authorized.
- To maintain proper and accurate records of government assets.
- To provide timely and meaningful reports for management information purposes.
- To ensure that all capital asset transactions are accounted for in accordance with government accounting policy.
- To value capital assets accurately.
- To properly amortize the value of capital assets over their useful life.
- To ensure proper recognition of gains and losses on disposition of assets.

1. All public moneys must be paid to the Minister of Finance and form one fund (Consolidated Fund).
2. Written approval of the Minister of Finance or delegate must be obtained before finalizing arrangements with banks or financial institutions.
3. Except as otherwise provided in specific statutes, all excess cash must be transferred to the Minister of Finance for investment purposes.
4. All items purchased for inventory must be properly recorded and controlled in the inventory accounting records of the department.
5. All fixed assets purchased, constructed or leased must be recorded in the user department's records.
6. All assets including those leased must be safeguarded and protected from all hazards.
7. Assets must be insured in accordance with government policy as described in the [General Manual of Administration](#), Section 5.8 – “Insurance and Risk Management”, and the [Risk Management Policy Manual](#).
8. Tangible capital assets must be capitalized in accordance to the Asset Class Listing. The Asset Class Listing and associated criteria are detailed in Section [9F-9.0](#).
9. The cost of a tangible capital asset includes the purchase price, or imputed acquisition cost for donated assets, and any other acquisition costs.

The following definitions apply to assets management:

ASSETS

All cash, cash equivalents, goods and property owned by the government, further classified into the following groupings:

Financial Assets:

CASH:

All currency, cash, cheques, postal and express money orders and bankers' drafts on hand or on deposit.

INVESTMENTS:

All securities and real estate held for the production of income in the form of interest, dividends, rentals or lease payments. This does not include fixed assets used in governmental operations.

Physical Assets:

INVENTORY:

All items in stores which when issued will be charged to another appropriation or account; items held in departmental stock that will be issued for use in a department's operation; and items in stores to be used in producing an item for sale.

TANGIBLE CAPITAL ASSETS:

Non-financial assets having physical substance (includes computer software) that are acquired, constructed or developed, and:

- are held for use in the production or supply of goods and services;
- have useful lives extending beyond an accounting period and are intended to be used on a continuing basis; and
- are not intended for sale in the ordinary course of operations.

Details on tangible capital assets can be referenced in Section [9E](#).

INTRODUCTION

Pursuant to [The Financial Administration Act](#), the Provincial Comptroller is responsible for the overall financial control environment and comptrollership function within the Manitoba government. This includes providing oversight and direction to core government departments and Other Reporting Entities (ORE) within the Government Reporting Entity (GRE) on those related matters.

Government departments and OREs must maintain the highest standards of integrity, accountability and conduct, all of which are crucial to safeguarding confidence and public trust. Unfortunately, fraud and misconduct can seriously undermine such efforts, exposing an organization to financial, legal, regulatory, or reputational damage.

POLICY

Due to the importance in protecting government organizations, their operations, employees, assets and reputation from the consequences of fraudulent activity, there is zero tolerance for fraud in any form. All confirmed, alleged or suspected fraud must be reported to the Office of the Provincial Comptroller (OPC) in a manner that maintains confidentiality requirements with consideration for [The Public Interest Disclosure \(Whistleblower Protection\) Act \(PIDA\)](#).

Roles and responsibilities for staff throughout the GRE as it relates to fraud are defined in this policy.

Scope

This policy applies to all government core departments and OREs.

This policy is intended to ensure consistent reporting of fraud occurrences as well as contribute to effective prevention and investigation.

The Government has a number of offices, systems, legislation, policies and processes in place to detect, deter, report on, and investigate the various types of wrongdoing, which include fraud. This policy is not to replace, but rather complement, existing legislation, policies and guidelines.

DEFINITION OF FRAUD

As per the 9A-2.1, fraud includes all intentional acts, or failures to act, which are carried out with the intent to deprive an organization of its rights, or which result in increased expenses or loss of assets, including the following:

- theft, misappropriation or embezzlement (or attempt thereof), including failure to return government property or information
- breach of trust by a public officer
- false or fraudulent claims for any government benefit, grant contribution or payment
- conversion or misuse of public funds, information, intellectual property, general property or services for personal gain
- any fraud or illegal act in the contracting process, including, but not limited to, bid rigging, price fixing, padding of contracts, kickbacks, etc.

The following are some additional examples of fraud or similar illegal acts by employees or external parties:

- falsification or alteration of financial records

- deceitful use of a corporate credit card
- unauthorized use of government owned or leased vehicles and equipment
- corruption of government files or data
- reimbursements for non-legitimate expenses or unworked hours
- accepting bribes or kickbacks
- undeclared conflicts of interest
- theft of cash or cheques prior to entry into the accounting system
- theft of government money or property
- deliberate short-shipment by a supplier
- deliberate substitution of inferior quality or defective goods by a supplier
- intentional damage of government property

Wrongdoing vs. Fraud:

Wrongdoing is defined under section 3 of [The Public Interest Disclosure \(Whistleblower\) Act](#) (PIDA). The definition provided therein is as follows:

- a) an act or omission constituting an offence under an Act of the Legislature or the Parliament of Canada, or a regulation made under an Act
- b) an act or omission that creates a substantial danger to the life, health or safety of persons, or to the environment, other than a danger that is inherent in the performance of the duties or functions of an employee
- c) gross mismanagement, including of public funds or a public asset
- d) knowingly directing or counselling a person to commit a wrongdoing described in clauses (a) to (c).

Fraud is a sub-category of wrongdoing. As such, fraud may be reported either through this Policy or through the [PIDA processes](#). The scale and complexity of the allegation should inform the decision on whether to report through this Policy or through PIDA.

Reporting fraud through the PIDA process does not eliminate nor replace responsibility to report fraud to the Provincial Comptroller under this policy.

ROLES AND RESPONSIBILITIES

All Employees

As per [Manitoba Government Code of Conduct](#), every employee of the Manitoba government is responsible at all times for their professional and ethical conduct. Employees must conduct themselves with the highest degree of integrity, responsibility and accountability to colleagues, the Manitoba public service and the people of Manitoba.

All employees must report any instances of confirmed, alleged, or suspected fraud in accordance with the procedures set out in the policy guidelines to their immediate supervisors or the Chief Executive (or designate e.g. Executive/Chief Financial Officer). Employees may also make a voluntary disclosure under the [Public Interest Disclosure \(Whistleblower\) Act](#).

Employees reporting fraud under this policy must treat the matter as confidential and not discuss it with anyone other than the person to whom they have reported the incident or the designated investigation team.

Whether reporting under this Policy or under the Public Interest Disclosure (Whistleblower) Act, employees are protected from reprisal as described in [Sec.27 of the Public Interest Disclosure \(Whistleblower\) Act](#).

Managers

Managers include all those who have direct reports in an organization.

A manager is responsible for:

1. Receiving reports of alleged or suspected fraud from staff.
2. Confidentially forwarding the alleged fraud to the Chief Executive (or designate) and participate in investigation if requested.
3. Familiarizing themselves with the types of wrongdoing that could occur within their area of responsibility and taking proactive steps to guard against such activities.

Designated Officers (for wrongdoing reported under PIDA)

Designated officers are senior officials responsible for investigating disclosures of wrongdoing made under PIDA (and in accordance with [PIDA Procedures](#).)

A designated officer is responsible for:

1. Providing advice to employees who are considering making a disclosure of wrongdoing (fraud being a type of wrongdoing).
2. Informing their Chief Executive of confirmed, alleged, or suspected fraud.
3. Complying with the requirements of [PIDA](#).
4. Protect the identity of employees who make disclosures.
5. Assure employees who seek advice or make a disclosure that they will be protected from reprisal.
6. Investigate a disclosure that is made to an employee's supervisor (manager) or the designated officer.
7. Has the authority to consult with the Manitoba Ombudsman, the Chief Executive or any other person necessary regarding the management of an investigation.
8. Refers disclosures to Manitoba Ombudsman when it would be inappropriate for the designated officer to deal with it (e.g. the nature of the wrongdoing; the persons involved in the disclosure).
9. Re-direct non-employees who wish to make disclosures to do so through the Manitoba Ombudsman.

Chief Executives (Deputy Minister or CEO)

Chief executives are Deputy Ministers for Government Departments and Chief Executive Officers for other Government Reporting Entities.

Chief executives are responsible for:

1. Ensuring a system of internal controls for detection and prevention of fraud is implemented and maintained.
2. Communicating information on this Policy and the PIDA processes to all employees annually in a manner(s) that is accessible to all staff.
3. Initiate investigations for suspected fraud as they consider appropriate.

4. Retain professional assistance for investigations as deemed necessary. Any costs incurred through the use of external parties will be the responsibility of the department or organization.
5. Determine who should perform and/or provide oversight of the fraud investigation procedures (e.g. Internal Audit, third party investigators, Public Service Commission, law enforcement).
 - a. If the disclosure is made through the PIDA processes, only the Designated Officer or the Ombudsman has authority to conduct an investigation into the report.
6. Ensure the principles of natural justice and procedural fairness govern all activities under the investigation process.
7. Report all confirmed, alleged or suspected fraud to the Office of the Provincial Comptroller (OPC) in a manner that maintains confidentiality requirements with consideration for The Public Interest Disclosure (Whistleblower Protection) Act (PIDA), as well as if any changes to the control environment are being considered/implemented as a result. Specifically, any identifying information of the complainant must be removed prior to the report being made to the OPC.
8. Reporting the fraud to the Police. For reports involving employees, consulting with Public Service Commission.
9. In consultation with Legal Services, institute civil or criminal action against perpetrators of fraud.
10. In consultation with Public Service Commission, take disciplinary action for employee fraud up to and including dismissal.

Executive Financial Officers or Chief Financial Officer

Departmental Executive Financial Officers (EFO) in Government Departments and Chief Financial Officers in OREs can act as designates for the Chief Executives, and are responsible for:

1. Comptrollership, ensuring compliance with financial policy on financial management and administration, and for establishing and maintaining financial management, administration and control systems within their department/organization.
2. Implement the fraud prevention and investigation requirements under [Manitoba's Comptrollership Framework](#).
3. Document the types and occurrences of fraud and fraud risk in their departmental operations and programs. Assess fraud risk to ensure that all types of potential frauds and all existing controls and possible corrective actions are considered and operationalized.

Provincial Comptroller

The [Financial Administration Act \(Section 13\)](#) charges the Provincial Comptroller with maintaining the central accounts of government, maintaining an internal audit system, and evaluating accounting and financial management systems throughout Government (i.e. the overall control environment). Because the Province of Manitoba prepares consolidated financial statements, while each ORE has their own management and governance functions, the Provincial Comptroller is responsible for the accounting and financial management systems of the entire Government Reporting Entity (GRE).

The Provincial Comptroller is responsible for:

1. Oversight of the GRE control environment.
2. Ensuring that there are no material errors in the Summary Financial Statements (SFS) due to fraud.
3. Reviewing reports of confirmed, alleged, or suspected fraud; treating all reports with the highest level of professional discretion and confidentiality and assess impacts on SFS and the control environment.

4. Providing direction on system-wide corrective action.
5. Reporting on fraud and fraud risks to the Deputy Ministers' Audit & Enterprise Risk Management Committee
6. Informing the Office of the Auditor General (OAG) of any material fraud activity.

Internal Audit

Internal Audit (IA), Treasury Board Secretariat supports governmental departments and executive management in the effective discharge of their responsibilities by providing an independent and objective analysis of governance, risk management and control.

Internal audit is responsible for:

1. Facilitating risk dialogue and organizational learnings through the communication of its audit findings and recommendations, information sharing, and advice.
2. Examining and evaluating the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

Insurance and Risk Management

Insurance and Risk Management (IRM) for the Central Government is responsible for:

1. Establishing risk management policy for the Government.
2. Maintaining insurance programs.
3. Working with departments and OREs to recover losses due to fraud through insurers where coverage is available and to recommend loss prevention measures to prevent further loss.
4. IRM reports incidences of fraud received by their office to the Office of the Provincial Comptroller.
5. Compiling and distributing the Annual Fraud Summary Report.

REFERENCES

[The Auditor General Act](#)
[Financial Administration Act](#)
[Financial Administration Manual](#)
[General Manual of Administration](#)
[Insurance and Risk Management Manual](#)
[Manitoba's Comptrollership Framework](#)
[Manitoba Government Code of Conduct](#)
[The Ombudsmen Act](#)
[Public Interest Disclosure \(Whistleblower\) Act](#)
[PIDA Procedures](#)

To ensure the reporting, investigation and handling of all incidents where a loss has occurred as a result of an offence or illegal act involving public assets or assets held in trust by the Province of Manitoba, the following fraud prevention and reporting policy has been developed. This policy is reviewed by Insurance and Risk Management Branch, Department of Finance every three to five years.

APPLICABILITY

This policy applies to all employees, agents and contractors of Province of Manitoba departments and agencies, and is to be used as a guideline by all Special Operating Agencies (SOAs), Commissions and Crown Corporations of the Province.

This policy is applicable to all intentional acts, or failures to act, which are carried out with the intent to deprive the Province of Manitoba of its rights, or which result in increased expenses or loss of assets by the Province, including the following:

- Theft, misappropriation or embezzlement (or attempt thereof), including failure to return government property or information;
- Breach of trust by a public officer;
- False or fraudulent claims for any government benefit, grant contribution or payment;
- Conversion or misuse of public funds, information, intellectual property, general property or services for personal gain;
- Any fraud or illegal act in the contracting process, including, but not limited to, bid rigging, price fixing, padding of contracts, kickbacks, etc.

This policy **does not apply** to acts of negligence, which do not result in a direct or indirect benefit to the negligent party (or parties).

POLICY

1. All Manitoba Government entities must ensure that a copy of this policy is circulated and posted in all offices or on the departmental intranet, in order that all employees are informed of what constitutes fraud, and are made aware that all persons engaging in fraudulent activities will be subject to disciplinary measures and/or legal charges.
2. All Manitoba Government entities must take reasonable measures to minimize the risks of fraudulent activity. This includes conducting an internal fraud exposure evaluation, utilizing additional resources such as the Protective Services Branch, Department of Justice, and the Insurance and Risk Management Branch, Department of Finance, if required.
3. All Manitoba Government entities must establish and apply appropriate financial and administrative procedures and practices, including physical protection measures, to ensure the safe custody and accounting of all public assets for which they are responsible, including assets held in trust.

NOTE: The financial and administrative procedures and practices specified in the Financial Administration Manual (FAM) and the [General Manual of Administration](#) (GMA) are to be used as a guide in this regard.

4. All Manitoba Government entities must monitor the effectiveness of their financial and administrative procedures and practices, including physical protection measures, on a regular basis, and make changes and revisions as necessary to protect assets in their care. Recommendations made by central auditing or monitoring entities should be considered and implemented as necessary.
5. All Manitoba Government entities should minimize the storage of cash or negotiable securities on their premises. In instances where this cannot be avoided, ensure that cash and securities are kept in locked safes or vaults resistant to burglary and fire.

NOTE: The use of locked safes and/or vaults should be considered when cash on hand exceeds \$500.00. The Protective Services Branch, Department of Justice and the Insurance and Risk Management Branch, Department of Finance can provide further information regarding classification of safes and vaults.

MINIMIZING LOSS FOLLOWING FRAUDULENT ACTIVITY

1. When a loss occurs due to a fraudulent activity, immediate steps should be taken to prevent further loss by altering the conditions that contributed to the original loss (e.g., upgrading of office security measures, altering cash handling practices, re-assigning cash handling staff, etc.)
2. Disciplinary action against the individual(s) involved should be taken only after consultation with the Deputy Minister or head of the government entity and the Human Resource unit.
3. Legal action against the individual(s) involved should be taken only after the Deputy Minister or head of the government entity or their designate has consulted with the police.
4. It is recommended that law enforcement authorities and insurance company representatives (if applicable) be consulted early in the investigation to determine how recoveries from the person(s) responsible can be maximized.
5. All efforts must be made to recover the loss, including making recoveries from the person(s) responsible.



The following are the procedures required to report individual incidents of fraud or fraud incidents under investigation as outlined in Section [9A-2.1](#).

- NOTE:**
1. All employees are required to report incidents of fraud or incidents under investigation to their manager/supervisor once they become aware of the situation.
 2. It is recommended that departments/government entities use the [Manitoba Incident Report Form](#) when reporting incidents of fraud or incidents under investigation.

PROCEDURES:

1. The Manager/Supervisor should complete a [Manitoba Incident Report Form](#) (PS-f-5a) as follows:
2. Forward one copy of the form to each of the following:

Insurance and Risk Management Branch
Manitoba Finance IRM.general@gov.mb.ca

Internal Audit
Treasury Board Secretariat
Internal.Audit@gov.mb.ca

Office of the Provincial Comptroller
Treasury Board Secretariat
OPCmb@gov.mb.ca

Deputy Minister or head of government entity

Executive Financial Officer

3. The Deputy Minister or Head of the Government Entity should consult with the Human Resource unit and Workforce Relations Division, Public Service Commission, to determine how an investigation and possible disciplinary procedures should be handled.
4. Where necessary, police should be consulted to determine whether the matter warrants the laying of criminal charges against the person(s) responsible.

- NOTE:**
1. All written reports detailing incidents of fraud or fraud incidents under investigation are to be dealt with in a confidential manner. Copies of written reports should be provided only to those individuals directly involved in the investigation of the incident. All files pertaining to the incident must be secured and access limited to authorized persons only.
 2. Actions taken under this policy do not preclude additional actions applicable under other established policies.

ANNUAL FRAUD SUMMARY REPORT
REPORTING PERIOD: Fiscal year 2021/2022



DEPARTMENT/ AGENCY _____

PREPARED BY / CONTACT N _____

NUMBER OF ACTUAL FRAUD INCIDENTS: _____ OR NIL _____

INTERNAL INCIDENTS OF FRAUD INTENTIONALLY COMMITTED BY AN EMPLOYEE, AGENT OR CONTRACTOR OF THE PROVINCE OF MANITOBA

DATE OF LOSS	EMPLOYEE NAME	DESCRIPTION OF INCIDENT	ESTIMATE OF LOSS (\$)	RECOVERIES (IF ANY) (\$)	DISCIPLINARY OR LEGAL ACTION	DATE OPC ADVISED	FURTHER ACTION
TOTAL			0.00	0.00			

NUMBER OF ACTUAL FRAUD INCIDENTS: _____ OR NIL _____

EXTERNAL INCIDENTS OF FRAUD INTENTIONALLY COMMITTED BY AN ENTITY OR INDIVIDUAL NOT SPECIFIED ABOVE

DATE OF LOSS	NAME IMPLICATED	DESCRIPTION OF INCIDENT	ESTIMATE OF LOSS (\$)	RECOVERIES (IF ANY) (\$)	DISCIPLINARY OR LEGAL ACTION	DATE OPC ADVISED	FURTHER ACTION
TOTAL			0.00	0.00			

NUMBER OF INTERNAL INCIDENTS UNDER INVESTIGATION: _____ OR NIL _____

NUMBER OF EXTERNAL INCIDENTS UNDER INVESTIGATION: _____ OR NIL _____

INTERNAL AND EXTERNAL INCIDENTS UNDER INVESTIGATION							
DATE OF LOSS	ESTIMATE OF LOSS (\$)	DESCRIPTION OF INCIDENT	CURRENT STATUS OF INVESTIGATION	CORRECTIVE ACTION TAKEN	DATE OPC ADVISED	INTERNAL / EXTERNAL	
TOTAL							

The signatory confirms that this report has been completed in full compliance with the *Fraud Prevention and Reporting Policy* and Procedures as per the Financial Administration Manual and that any fraudulent activity has been communicated to senior management of the Department / Agency.

The following are the procedures required to provide a year-end report of all incidents of fraud or incidents under investigation occurring within the government entity, as outlined in section [9A-2.0](#).

NOTE: The form depicted above is a suggested format only. Electronic reproductions may be developed, provided that all required information is captured.

PROCEDURES

1. Departments are required to prepare an Annual Summary Report of all incidents of fraud or incidents under investigation that have occurred during the fiscal year. Fraud Summary Reports for departments are due by May 31 of each year.

Departmental Executive or Senior Financial Officers are to ensure that Other Reporting Entities that are under their department's responsibility prepare and submit their report no later than 60 days following the end of the entity's fiscal year.

2. Forward the Annual Fraud Summary Report to:

Insurance and Risk Management Branch
Department of Finance
IRM.General@gov.mb.ca

With a copy to Office of the Provincial Comptroller at (I:\TBSInter\BA_XX\For OPC).

3. Departments are to utilize the Annual Fraud Summary Report to determine if further preventative measures to minimize fraud exposures are warranted.
4. Insurance and Risk Management Branch will prepare a consolidated report on all government entities, and will forward a copy of the consolidated Fraud Summary report to:
 - Departmental Deputy Minister
 - Central Finance, Department of Finance
 - Internal Audit, TBS
 - Office of the Provincial Comptroller
 - Office of the Auditor General
 - Protective Services Branch, Department of Justice



FRAUD POLICY AWARENESS CHECKLIST		
MARCH 31, 20__		
As part of year end procedures, the Insurance and Risk Management Branch requests your department/agency to complete the Year End Fraud Policy Awareness Checklist. Departments should read and refer to the <i>Fraud Prevention and Reporting Policy</i> in the Financial Administration Manual (Section 9A-2.0).		
The objective of this checklist is to ensure that each department and agency is aware of the government's fraud policy, and has adequate processes and procedures in place to monitor, assess and prevent fraud in the organization.		
Instructions:		
• Please indicate Yes (Y) or No (N) for each of the following questions. • If the question is not applicable or not considered relevant, "N/A" should be recorded with the reasons for its exclusion documented. • All questions, including those with a "YES" response indicating controls are in place, should be supported by reference to documented procedures or a supporting note attached providing details. • A "NO" response to a question requires attaching documentation identifying and describing an action plan to correct the control weakness, or justification for not taking corrective action. If a compensating control is in place related to a "NO" response, indicate "C.C." in the notes with the description of the compensating control.		
NOTES		Y/N or N/A
1 GENERAL		
1.1 a) Is the government's Fraud Prevention and Reporting Policy, as outlined in the Financial Administration Manual (FAM) section 9A-2.0, communicated to all staff, including new employees?		
b) Is a copy of the policy posted in all offices or available on the Intranet?		
1.2 Are all staff aware of the disciplinary measures for fraudulent activity?		
2 FRAUD DETECTION		
2.1 Are processes and procedures in place to assess the likelihood of fraud in the organization?		
2.2 Are staff appropriately trained to be able to recognize or detect fraudulent activity?		
2.3 If fraud has occurred in the past, have post-fraud actions, including review of controls, been taken to mitigate future risk?		
2.4 a) When fraudulent activity occurs, is the Deputy Minister consulted prior to any actions being taken?		
b) Are Human Resources and Labour Relations Division consulted prior to any employee disciplinary actions?		
2.5 When fraudulent activity occurs, is a Manitoba Incident Report (PS-f-5a) completed?		
2.6 Is an Annual Fraud Summary Report prepared as required under the fiscal year-end procedures?		
3 FRAUD PREVENTION		
3.1 Has an internal or external audit been conducted in the past 5 years?		
3.2 Are recommendations by Internal Audit and Consulting Services considered and implemented as necessary?		
3.3 Are fraud reviews conducted in accordance with perceived level of risk?		
3.4 Are cash and cheque deposits reconciled to the bank account on a monthly basis?		
3.5 Is there adequate segregation of duties in place to minimize the possibility of staff collusion?		
3.6 Are Delegated Financial Signing Authority Charts updated when a new Minister is appointed, a reorganization occurs, a change to an Act affects existing delegations, or at year end?		
3.7 Is computer access controlled through authorization of user identification?		
3.8 Are contracts reviewed regularly to ensure that standard government contracts are used and appropriately approved?		
3.9 Are employee computers locked when the employee is away from their workstation?		
3.10 a) Are cash, securities and other documents maintained in a secure area with limited access?		
b) Are larger dollar amounts stored in an ULC-rated safe?		
3.11 Are periodic petty cash reviews conducted regularly?		
3.12 a) Are employee expense and mileage claims reviewed to ensure they are in compliance with policy?		
b) Are they signed off by the employee's supervisor?		
3.13 a) Are public assets, including those held in trust, maintained in safe custody?		
b) Is an inventory listing maintained and filed?		
3.14 Are objects on loan to employees accounted for and updated regularly (i.e. laptops, building access cards, keys, furniture, etc)?		

The following are the procedures required for completing the Fraud Policy Awareness Checklist at year-end.

PROCEDURES

1. Within three months of the end of the government entity's fiscal year, the Deputy Minister/Head of Government Entity or Designate should complete the Fraud Policy Awareness Checklist.
2. Departments and agencies are to utilize the Fraud Policy Awareness Checklist to ensure communication of the Fraud Policy within the organization and that adequate processes and procedures are in place for monitoring, assessing and preventing fraud.
3. Forward the Fraud Policy Awareness Checklist to:

Office of the Provincial Comptroller
Treasury Board Secretariat
OPCMB@gov.mb.ca

Section 8 of The Financial Administration Act gives the Minister of Finance specific responsibility for management and administration of the Consolidated Fund and the management of public money, including collection, receipt and payment of public money into the Consolidated Fund, and the control of payments out of the Fund. The Act specifies other responsibilities as follows:

- Section 15 provides that all public money is to be deposited into and shall form one fund (Consolidated Fund).
- Section 16 provides that all public moneys including the collection and receipt of be paid to the Minister of Finance.
- Section 18 provides that the Minister of Finance may open, maintain, or close accounts for the receipt and deposit of public money in the name of the government.
- Section 27(2) provides that, where it is advisable for the sound and efficient management of public money or public debt, the Minister of Finance may invest any available funds.

Through the Act, the Minister of Finance has:

- established policies and accounting and control procedures regarding Revenues/Receipts/Receivables - Management as discussed in Chapter 7 of this volume.
- established the main bank account for the Consolidated Fund with:

The Royal Bank of Canada
Main Branch
220 Portage Avenue
Winnipeg, MB R3C 0A5

- established policy and procedures for the opening and administration of departmental bank accounts as required (See Sections 9B-2, 7C-1.2 and 8C-4.0).
- established the Treasury Division, Manitoba Finance with responsibility for the management of the Province's financial assets (See Sections 9B-3.0 and 1D-2.0).

In addition to the broad policies set forth in [9A-1.2](#), the following policies apply to financial assets:

1. All moneys received must be handled in accordance with the policies established in [Chapter 7](#) - Revenues/Receipts/Receivables - Management.
2. All disbursements must be requisitioned in accordance with the policies established in [Chapter 8](#) - Expenditures/Payments/Payables - Management.
3. All departmental bank accounts must be reconciled on an ongoing, regular basis, as well as annually as at March 31st, and a copy of the reconciliation statement must be forwarded to the Office of the Provincial Comptroller, Treasury Board Secretariat (OPC) as per the annual fiscal year-end closing instructions.
4. Departments must submit a listing of all open bank accounts to the Minister of Finance, c/o OPC, on an annual basis as per the annual fiscal year-end closing instructions.
5. All cash is to be deposited to the credit of the Province as soon as possible after receipt.
6. The departmental Senior Financial Officer (SFO) must sign the request for authorization to open, close or otherwise change a bank account.
7. All cash shortages due to theft, suspected theft, robbery or other dishonest acts, regardless of amount, must be reported in writing to the Insurance and Risk Management Branch, Central Finance. All such shortages in excess of ten thousand dollars (\$10,000) are to be reported immediately by telephone/e-mail/fax.
8. All cash shortages and overages exceeding one hundred dollars (\$100) must be reported to the Treasury Division, Manitoba Finance (See [7B-1.1](#)).
9. All arrangements for armoured car messenger service are controlled through the Treasury Division, Manitoba Finance (See [7C-1.2](#)).

The receiving and handling of cash has been described in [Chapter 7](#) - Revenue/Receipts/Receivables - Management. This section describes the management of cash balances on hand and in bank accounts.

Departments are required to deposit all cash to the credit of the Province as soon as possible after receipt. The Province's banking system provides for the direct deposit of all receipts into and for all payments out of the Main Bank Account. However, there may be special conditions under which departmental bank accounts may be established. The Minister of Finance may approve separate banking facilities in accordance with [Section 18 of The Financial Administration Act](#), or banking facilities may be established in accordance with a specific statute or to provide for moneys held in Trust. There are three distinct types of departmental bank accounts:

1. **Departmental Deposit Accounts** - provided for the deposit of funds into an account other than the Main Bank Account, with later transfer into the Main Bank Account. Approval to open a deposit account must be obtained from the Treasury Division, Manitoba Finance (See Section [7C-1.2](#)).
2. **Departmental Disbursement Accounts** - provided for the expenditure of public money which is later accounted for when reimbursement is requested from the Consolidated Fund. Approval to open a disbursement account must be obtained from the Office of the Provincial Comptroller, Treasury Board Secretariat (See Section [8C-4.0](#)).
3. **Custodial Bank Accounts** - established in accordance with a specific statute or to provide for moneys held in Trust. These accounts are the responsibility of the trustee specified in the statute or trust (See Section [9B-4](#)).

Cash balances in departmental accounts are assets of the Province. Therefore the departmental system(s) related to departmental bank accounts must:

- ensure that the cash balances on deposit are transferred regularly so as to optimize the cash flow of the Province and avoid unnecessary interest costs in the financing of the Province's operations, and
- ensure compliance with central agency reporting requirements.

BANK RECONCILIATION

On a monthly basis, departments should prepare a reconciliation statement between the balance per each of their bank statements to the balance per departmental accounting records. A separate reconciliation report must be prepared for each separate departmental bank account, and should take a form similar to the report displayed on page 3 following.

Fiscal Year-End Requirements:

In addition to monthly reconciliations, a fiscal year-end reconciliation report must be prepared and forwarded by the deadline indicated in the [Fiscal Year-End Financial Administration Information Circular](#) (FAIC) to:

Office of the Provincial Comptroller
Treasury Board Secretariat
PublicAccounts@gov.mb.ca

The reconciliation statement should include the following information:

Field	Name	Information
1	Department	name of department
2	Title of Account	location and account number
3	Bank	name of bank
4	Date	date of reconciliation
5	Balance per Bank Statement	balance per bank statement on date of reconciliation
6	Outstanding Deposits	deposits received by department but not yet processed by bank
7	Outstanding Cheques	cheques issued by department but not yet processed by bank
8	Balance per Accounting Records	balance per accounting records on date of reconciliation

DISPOSITION AND RETENTION

See [6E-Appendix A](#)

BANK RECONCILIATION REPORT

1. Department _____

2. Account Name _____

3. Bank _____

4. Date _____

5. Balance per Bank Statement XXXXX

6. Add: outstanding deposits

<u>No.</u>	<u>AMOUNT</u>
XX	XXXXXX
XX	XXXXXX
	<u>XXXXXX</u>

XXXXX

SUB-TOTAL

XXXXX

7. Deduct: outstanding cheques

<u>No.</u>	<u>AMOUNT</u>
XX	XXXXXX
XX	XXXXXX
XX	XXXXXX
XX	XXXXXX
XX	XXXXXX
	<u>XXXXXX</u>

(XXXXX)

8. Balance per accounting records (G/L Account # _____) XXXXXX

Except as otherwise provided in a specific Act of the Legislature, the Treasury Division, Manitoba Finance is responsible for the investment of all public moneys. All departments and agencies of the government are required to deposit excess cash with Manitoba Finance.

The responsibilities of the Treasury Division, Manitoba Finance include:

- capital financing for the government and its agencies
- long-term financing for the government and its agencies
- short-term investments
- the management of government money

In addition to government cash and investments, departments may receive cash and other assets on behalf of a third party or as a performance/security bond. While these funds may not be assets of the government, the government would be liable in the event of loss.

Departments are therefore responsible for the proper custody, management and safekeeping of these assets, and as such, departmental systems should provide for:

- the deposit of all cash as a credit to a special trust account in the Consolidated Fund.
- the transfer of negotiable assets to the Treasury Division, Manitoba Finance, for safekeeping.
- adequate safeguarding of performance bonds and other non-negotiable instruments.
- insurance against loss in accordance with government policies and procedures as described in the [General Manual of Administration](#), Section 5.8 – “Insurance and Risk Management” and in the [Risk Management Policy Manual](#).

Although the departmental accounting and control system(s) will vary depending on the nature of the asset (e.g., Trust Funds, Performance/Security Bond), it should include the general policies and guidelines for Revenues/Receipts/Receivables ([Chapter 7](#)), Expenditures/Payments/Payables ([Chapter 8](#)), and the applicable policies that follow.

MISCELLANEOUS TRUST FUNDS

While departments are required to deposit public money to and request payment from the Consolidated Fund, certain statutes or conditions provide that a Minister of other public officer act as custodian of cash, securities and/or property on behalf of a third party.

In such instances, the approval of the Minister of Finance must be obtained to open a bank account or to change banking arrangements (See Sections [7C-1.2](#) or [8C-4.0](#) for details).

Departments are responsible for the safekeeping of all securities and other assets. Departmental systems must include procedures to be followed and records to be maintained to ensure that all assets are adequately accounted for. These assets may include funds in separate bank accounts, in the form of cash held in an office, or in the form of securities.

Although these custodial trusts are not included in the "Statement of Assets and Liabilities" in the Public Accounts, the details of custodial accounts are set out in a note to the "Statement of Assets and Liabilities". The department, therefore, must prepare a report on all funds held in custodial trust accounts and submit it to the Minister of Finance as prescribed in the annual Fiscal Year-End Financial Administration Information Circular (FAIC) (See Section [9B-4.1](#)).

PERFORMANCE AND SECURITY DEPOSITS

Departments may receive performance/security deposits in one of the following forms:

- **Written Financial Guarantee** - includes surety bonds or like guarantees from a Canadian chartered financial institution or an insurance company licensed in the Province of Manitoba.

This type of security:

- generally involves an independent third party guarantor's assessment of a supplier's ability to perform
 - offers the best possible protection with minimum strain on a supplier's cash flow
 - utilizes accepted forms of legal documentation which allows for administration within the department
- **Securities** - includes government guaranteed bonds or debentures, term deposits, certificates of deposit, trust or investment certificates and equivalent guaranteed deposits.

Only the above types of securities that qualify under the Manitoba Insurance Act shall be accepted, and they must be in bearer form or assigned to the Crown in the name of the Minister of Finance. Departmental authorities should ensure that securities offered equal the full value of the specified deposit. The accounting officer should forward securities to the Treasury Division for safekeeping.

This type of security places extra administrative workload on the department, but may be necessary if bonding is unavailable.

- **Money and Like Negotiable Instruments** - includes currency cheques, drafts, travellers cheques, postal notes, money orders, postal remittances, bills of exchange payable on demand, or similar instruments.

If money or like negotiable instruments are offered as security, the owner should be advised of the government's "no interest" policy, and of the more preferable security options open to them. These types of deposits, when accepted, should be handled and accounted for as described in [Chapter 7](#).

This form is costly to the supplier in that no interest is paid to the owner unless specifically provided for by legislation.

- B - the total balance in the bank as per departmental ledger (do not show bank statement balance)
- Bank account number
- C - the total original cost of securities held. If the original cost is not available, enter the par value
- the total par value of securities held
- the total of all trust fund held. This must equal the total cash, bank balance and securities' cost
- SAP GL account if applicable

Certification that all trust funds are correctly reported in the statement

- the appropriate year
 - the date of the certification by the custodian
 - the signature of the custodian
2. Forward the Report of Miscellaneous Trust Funds to the departmental accountant.
 3. The Departmental Accountant will accumulate, sign and forward all reports by the deadline indicated in the [Fiscal Year End Financial Administration Information Circular](#) (FAIC) to:

Office of the Provincial Comptroller
Treasury Board Secretariat
PublicAccounts@gov.mb.ca
(I:\TBSInter\BA_XX\For OPC)

BACKGROUND

The Public Standards Accounting Board introduced Section 3450 to provide guidance on the reporting of derivative and non-derivative financial instruments. The section includes, but is not limited to the following:

- The classification of financial instruments into two measurement categories: fair value and amortized cost.
- The accounting treatment for embedded derivatives.
- The recognition of gains and losses associated with financial instruments on the new Statement of Remeasurement of Gains and Losses
- The disclosure and presentation requirements surrounding financial instruments.

Derivatives are financial instruments that give rise to financial instrument assets of one entity and financial instrument liabilities or equity instruments of another entity.

Derivatives are contracts with all three of the following characteristics:

- a) Their value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract;
- b) They require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and
- c) They are settled at a future date(s).

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if, all of the following conditions are met:

- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- A separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and
- The hybrid (combined) instrument is not measured at fair value. For example, a derivative embedded in a financial instrument in the fair value category is not separated.

POLICY

This policy provides guidance on when a financial instrument is recognized, how the instrument is measured, what the presentation considerations are, and what must be disclosed.

All financial instruments are to be measured in one of two categories:

- Fair value
- Cost or amortized cost



Fair Value Measurement

Derivatives, and portfolio equity investments quoted in an active market, are the only two financial instruments, that are **required** to be measured at fair value. Derivatives and other financial instruments in the fair value category are initially recorded at cost on the Statement of Financial Position. Any subsequent change in fair value will be recorded in the Statement of Remeasurement Gains and Losses. Changes in fair value are unrealized gains and losses. They should not be recorded in the Statement of Operations until they are realized settled or matured.

Premiums/discounts on swaps, or other derivatives, are effectively an advancement in the payment or receipt of the fair value on the underlying derivative. It is recommended that the government continue to amortize swap premium/discount systematically to the Statement of Operations on the same basis as the underlying debt instrument. The unamortized balance should be presented as a derivative asset/liability depending on its position.

Amortized Cost

Amortized cost is the amount at which a financial instrument asset or a financial instrument liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

All financial instruments measured at amortized cost, such as debt instrument, should use the effective interest rate method to amortize the premium/discount and transactions costs. The straight-line amortization method that was previously applied should no longer be used.

Derivatives and portfolio equity investments are **required** to be measured at fair value. All other financial instruments should be measured at cost or amortized cost.

Financial instruments in the amortized cost category can be **designated** to the fair value category. Classification of a group of financial instrument assets, financial instrument liabilities or both to the fair value category is an accounting policy decision. A government defines and discloses the characteristics of financial instruments in the class and discloses this information in accordance with DISCLOSURE OF ACCOUNTING POLICIES. An example would be portfolio investments being managed as an endowment.

The following financial instruments are in scope:

Financial Assets	Measurement
Cash and Cash Equivalents	Cost
Accounts Receivable	Amortized cost
Portfolio investments (includes sinking funds and bonds)*	Amortized cost or fair value
Portfolio equity investments quoted in an active market	Fair Value
Loans and advances	Amortized cost



Derivatives (includes, but not limited to: interest rate swaps, cross currency swaps, forwards, and basis rate swaps)	Fair value

*If portfolio investments include equities that are quoted on the active market, these should be measured at fair value.

Financial Liabilities	Measurement
Borrowings (bond and debentures)	Amortized cost
Accounts payable	Amortized cost
Derivatives (includes, but not limited to: interest rate swaps, cross currency swaps, forwards, and basis rate swaps)	Fair value

Presentation and Disclosure Requirements

Below is the summary of the key points to consider around the presentation and disclosure requirements in implementing this standard.

OPC: Responsible for overall financial statement presentation and disclosure and for engaging Treasury and ministries, as required.

Treasury: Responsible for providing quantitative information to OPC and for reviewing drafted qualitative risk management disclosures, at the direction of OPC.

Risk Management

The government to disclose information on the composition of financial instruments and risk management information, including (see the risk management note in the March 31, 2023 Summary Financial statements);

- The maximum exposure to credit risk
- A table description of collateral held as security and other credit enhancements and their financial impact
- Information about the credit quality of financial assets that are neither past due or impaired
- Maturity analysis for the government derivatives and non-derivative financial liabilities
- Maturity analysis of financial instruments held for managing the liquidity risks
- Sensitivity analysis for each foreign currency risk with additional qualitative disclosure which reflects the approach and assumptions for preparing the sensitivity analysis

Classification of Financial Instruments

The government to disclose the classification of financial instruments, including the following additional information:

- To denote which instruments are measured using cost, amortized cost, and fair value
- Breakdown by category for financial assets/liabilities measured at fair value
- The defaults (if any) during the period of principal, interest, sinking fund or redemption terms of loan payable

- Any measurement basis, method, valuation techniques and assumptions used in the preparation of the financial statement
- Classification of the financial instruments based on the fair value hierarchy

Presentation

Fair value changes for derivatives and other financial instruments in the fair value category should be recognized (as unrealized gains and losses) within the Statement of Remeasurement Gains and Losses. Remeasurement gains and losses when realized should be transferred to the Statement of Operations upon maturity or settlement.

PROCEDURE – Identifying Embedded Derivatives

The government must determine if the contract selected is for a:

- Debt contract (primarily Treasury)
- Lease Contract
- Other Contract

The government must assess each contract to identify if there are any features within the contract that may indicate the existence of an embedded derivative. If applicable, determine if the identified embedded derivative is closely related to the host contract.

DEBT CONTRACTS	
Indicators of an Embedded Derivative	Indicators the Embedded Derivative in Closely Related to Debt Contract
There is a call, put, prepayment or redemption option in the debt contract.	The exercise price(s) is not expected to differ from the debt's contract amortized cost at the exercise date.
There is a term extension option in the debt contract.	The interest rate is adjusted to the market rate of interest at the time of extension.
The agreement contains caps or floors on interest rates.	The cap is above the current market rate of interest. The floor is below the current market rate of interest.
The payments of the debt contracts includes equity-indexed, commodity-indexed, or credit-indexed payments.	n/a
The debt instrument can be: - converted into common or preferred shares - settled with non-cash consideration	n/a
The interest or principal payments determined are based on leveraged, complex or formulaic interest rate features.	There is no scenario in which the lender may benefit from a rate of return that is twice (or more) the normal market rate. There are no stated multiples of other variables two or more. The interest rate is not dependent on

	factors other than the market and the borrower's credit risk.
The contract is not an interest-only or principal-only strip, which contains a prepayment option.	The original debt contract does not contain any embedded derivatives. The interest or principal-only strip contract does not contain any new terms that were not present in the original debt contract.

LEASE CONTRACTS

Indicators of an Embedded Derivative	Indicators the Embedded Derivative in Closely Related to Debt Contract
The contract requires payments denominated in a currency other than Canadian dollars.	The currency is the functional currency of any substantial party to the contract. The currency is routinely used in commercial transactions around the world leases. The currency is commonly used in similar contracts in Canada.
The lease contains a choice as to which currency to pay in and/or payments are multiplied by a factor other than 1.	The lease does not contain a choice as to which currency to pay in. There are no payments multiplied by a factor other than 1.
The lease payments are indexed to inflation or any other economic factors.	The lease payments are not indexed to inflation by a factor other than 1. The lease payments are indexed to economic factors outside of the entity's own economic environment.
There is a term extension option in the lease contract.	The term extension option in the lease contract will not result in payments that are not at market rate at the time of extension.
The lease payments are indexed to another country's rate of inflation.	The substantial party to the contract is based in the country whose rate of inflation payments is also indexed. The currency the payments are denominated in are that of the country whose rate of inflation payments is also indexed
There are contractual payments determined by contingent rentals based on anything other than: - Related sales - Variable interest rates	The identified embedded derivative is closely related to each lease contract.
??	The non-cash consideration does not consist of a warrant or option of a public



	company.
The lease has an option to buy an asset at a fixed price, which it intends to net settle in cash (or has done so in similar transactions in the past) rather than through physical delivery.	It is not the department's intention to settle the contract.
	The department has not settled similar contract in the past.

OTHER CONTRACTS

Indicators of an Embedded Derivative	Indicators the Embedded Derivative in Closely Related to Debt Contract
The contract requires payments denominated in a currency other than Canadian dollars.	The currency is the functional currency of any substantial party to the contract. The currency is routinely used in commercial transactions around the world leases. The currency is commonly used in similar contracts in Canada.
There are contractual payments indexed to inflation or other economic factors.	The payments are not indexed to inflation by a factor other and 1. The payments are not indexed to economic factors outside of the entity's own economic environment.
The contract price is subject to a cap or a floor.	The cap is above the current market rate of interest. The floor is below the current market rate of interest.
There is a term extension option or rights to buy/sell additional quantities, or unusual rights/obligations to repurchase/return in the contract.	The pricing is adjusted to the market rate at the time of the extension. Returns are limited to reasons other than changes in the market prices.
There are contractual payments indexed to another country's rate of inflation.	The substantial party to the contract is based in the country whose rate of inflation payments is also indexed. The currency the payments are denominated in are that of the country whose rate of inflation payments is also indexed.
The contract allows for any non-cash consideration.	If non-cash consideration consists of a warrant or option of a public company further investigation is required on a case-by-case basis.
As a part of the contract the department has an option to buy an asset at a fixed price, which it intends to net settle in cash (or has done so in similar transactions in the past) rather than through physical delivery.	It is not the department's intention to settle the contract.
The contractual payments, penalties, fees, or	The department has not settled similar contract in the past.
	The contractual payments are not

any other cash flows are adjusted to the price of a variable.

adjusted to a variable, which exposes the department to a risk different from that of a host contract.

In government, the term "inventory" usually refers to those items that are in stores or held in stock which will be consumed in departmental operations (e.g., stationery stock) or placed in use (e.g., office equipment), and which do not meet the criteria for a tangible capital asset. However, where departments maintain stocks of "items to be used in producing goods for resale" and for which the department is a licensed manufacturer under *The Federal Excise Tax Act*, the distinction should be made in the departmental accounting and control systems.

Statutory requirements of [The Government Purchases Act](#) apply to the purchase of items for inventory purposes. These items are charged as expenditures in the general ledger at the time of the original purchase. It is necessary, therefore, that departmental systems account for and physically control inventories, and that items of equipment placed in use in a department (office equipment, etc.) are also accounted for and safeguarded by that department (See Section [9D](#)).

Departments must account for inventories using a recognized accounting and control method. The method should use the material identification system as described in the [Procurement Administration Manual](#) produced by the Procurement and Supply Chain Division.

Physical control over all inventory items is necessary to ensure that assets purchased with public funds are properly safeguarded. While items are held in stock, the storekeeper is the custodian, and when the items are issued, the responsibility is transferred to the receiving department/responsibility centre. In developing control systems, inventory items can be considered as:

- Expendable - material which is consumed in operations after release from inventory (e.g., stationery supplies) and further controls are unnecessary, or
- Accountable - items which, after release from inventory, are identifiable assets (e.g., office equipment, vehicles, furniture), thus requiring additional controls (See Section [9D](#) – Physical Assets Not Capitalized).

In addition to the broad policies set forth in [9A-1.2](#), the following policies apply to inventories:

1. The total cost including shipping where applicable for each significant inventory item purchased for or manufactured by a department must be recorded in the material accounting records of the department, or if manufactured, at the cost of materials plus direct labour and overhead where applicable.
2. Inventories must be accounted for using a recognized accounting and control method.
3. Each department must count all inventory items as at March 31st of each fiscal year, except that, if the department maintains complete and up-to-date Valued Perpetual Inventory records, the physical counts may be conducted during the year.
4. Departments must ensure that the inventory count forms or systems provide for recording the complete inventory valuation data including description, condition and unit count, for reconciliation with stock record card, and for extending values.
5. Responsibility Centres must report the inventory as at March 31st, through the departmental accountant to the Senior Financial Officer (SFO) in the department, within 60 days of year-end, unless approved otherwise. In the case of Perpetual Inventory records, this report must include a summary of net shortages and excesses.
6. Deficiencies or surpluses of material discovered during inventory checks or during formal inventory valuations must be adjusted in the appropriate records. Write-offs/write-ons must be submitted for required approval within 60 days of the inventory valuation or inventory check.



Inventories are recorded as expenditures at the time goods are purchased, with the exception of inventories of a significant dollar value (e.g., cottage lot inventories held for resale), which are recorded as balance sheet items. Special procedures are necessary to account for and control inventories until they are disposed of or consumed in operations. These special procedures should include effective inventory management as well as the physical control.

The accounting and control methods will vary between departments as well as within a department. In selecting appropriate techniques, departments should consider the general requirements of management for accountability and control of inventories. The system should be integrated with the principal budgetary, accounting and reporting systems of the department, and provide for the control of the receipt into and issue from stores of inventory items as well as their physical safeguarding. The system should use the Common Material Identification System (See the [Procurement Administration Manual](#) produced by the Procurement and Supply Chain Division) to identify specific material, furniture or equipment.

Through proper accounting for inventories, financial reports can be significantly improved, custodians can be held accountable for the inventories under their control, and decision-making regarding the acquisition and utilization of inventories can be facilitated. However, financial control over inventories should be established only when the benefits of additional information or additional internal control outweigh the costs. This should be determined by the department that has control over the inventory.

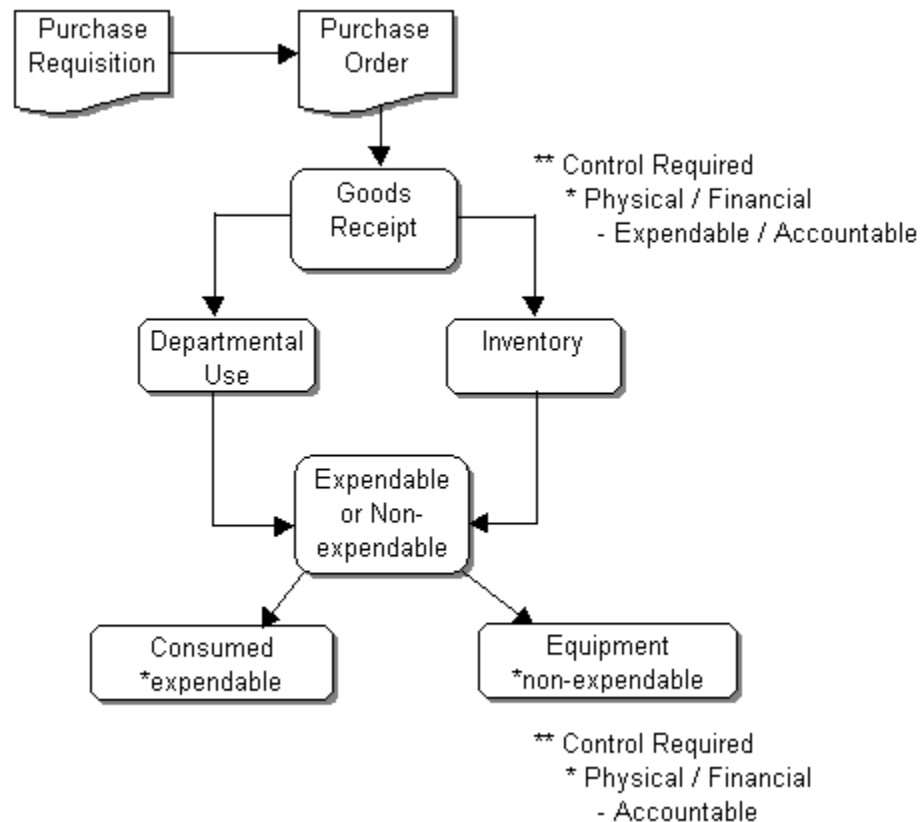
In developing the physical control system, the department should consider:

- **Safeguarding**
 - the location of the inventory should provide for physical control over all items entered into inventory.
 - the documentation of items entered into or released from inventory should be complete.
- **Receiving Controls**
 - the recording of all items received showing quantities and condition (use of receiving voucher, purchase order, packing slips, etc.).
 - the signature of the person delivering the goods whenever there are shortages or damaged items.
 - the prompt placement of the items in a secure and protected area.
- **Issuing Controls**
 - the recording of all items issued from inventory showing quantities (use of sales slip, requisition, etc.).

- **Storage Controls**

- the physical segregation of stores to an area with restriction of access from other areas.
- the provision of adequate facilities to protect the item from loss though theft, fire or other factors.
- the proper organization of items of material in the stores location.

INVENTORY PURCHASE/CONTROL PROCESS:



Steps:

1. Purchase requisition approved.
2. Purchase order approved.
3. Goods / Items received.
4. Goods placed in inventory or for the direct use of the department.
5. Expendable assets are considered consumed, otherwise;
6. Non-expendable assets such as equipment will eventually be returned to inventory, go through disposal procedures or write-off procedures.

The choice of the method used to exercise accounting control over inventories will depend on the benefits to be attained relative to the cost of maintaining the system. The accounting system should provide that:

- detailed inventory records are maintained by persons other than the storekeeper. Such a system serves to ensure that assets are not disposed of or written off without appropriate authority (normally the departmental Executive Financial Officer (EFO)).
- deficiencies or surpluses of inventory items discovered during physical counts or checks are recorded in the appropriate records and reported to departmental management and the Minister of Finance (See Section [9C-2.3](#)).
- obsolete or surplus inventory items are removed from the inventory, the appropriate records adjusted, and the items returned to a supplier for credit or disposed of in accordance with the [General Manual of Administration](#), Section 5.10 – “Disposal of Surplus Material and Equipment”.
- stolen inventory items are reported to the proper authorities (See Section [9C-2.3](#)).
- significant adjustments must be approved by a senior official.
- physical count procedures should include proper cut-off procedures so that items received but not in the records are excluded from the count, and that all issues from inventory prior to the physical count are recorded.

In determining the inventory method, departments should consider the following:

1. **Periodic Inventory Method** where:

- charge back procedures are not in use
- there is not a permanent storekeeper
- the range of items is limited and of low total value
- the items are held for immediate use

This method would be used by a department for "attractive" items that are stocked close to the actual area of use (e.g., nursing ward supplies). Movement of the items into and out of stores need not be recorded in a permanent card record, however, an outstanding order file or record should be maintained to ensure that restocking orders are not duplicated.

The storage of these items should be controlled so as to ensure that only authorized persons have access to the stores. A system of periodic inventory checks or a reorder quantity should be established to ensure that each item is available when needed.

2. **Perpetual Inventory Method** used for at least those items exhibiting the following characteristics:

- supply is critical to the operation of the department
- high unit value
- high total value
- readily saleable
- legal requirement

The perpetual method may be:

- **No Value Perpetual Inventory Method**

- where charge back procedures are not in use

This method is used by departments for items which are stocked either for use in departmental operations and are consumed (e.g., food supplies), or for items in use for a period of time and returned to stock (e.g., field crew equipment). Departments are required to use formal documents for entries into and out of inventory. This method provides a running record of the movement in and out of stores and the balance on hand.

The inventory record should show the date, the cross reference to the receiving, issuing or other document, the number of items moved by each transaction, the maximum stock level and the reorder point level. Although the cost of each item is not required for the continuing movement into and out of inventory, the most recent cost should be recorded on the inventory record for valuation purposes.

- **Valued Perpetual Inventory Method**

- (i) manual
- (ii) electronic

- where charge back procedures are in use.

This method is used for items that are stocked for resale (e.g., stock stationery). A record is maintained for each item or group of items showing the number of units and cost per unit. Departments are required to use formal documents for entries into and out of inventory.

The inventory record should show the date, the cross reference to the receiving, issuing or other document, the number and the maximum stock level and the reorder point level. The actual cost to purchase should be recorded into the inventory record. Entries out of inventory should be recorded using either "last in, first out" (LIFO) or "weighted average cost" (an average cost per unit).



Whichever accounting system is used, physical counts need to be performed to prove that there have been no serious lapses in either physical custody or accounting control over inventories. Independent officers should directly participate in the planning, performance and review of physical counts to ensure independence in the determination of quantities, physical conditions, value of inventories, and that proper inventory procedures are used.

Inventories should be counted at least annually in accordance with the policies, and more often if special conditions warrant. More frequent counting may be necessary if discrepancies between the counts made and the inventory records persist.

Before inventory counting begins, departments should ensure:

- that all stock items are logically, systematically and neatly organized to ensure that no items will be omitted from the count or counted twice.
- that obsolete, repairable or salvage items are separated, and
- that all inventory locations will be accounted for in the count.

Once the preliminary requirements have been met, inventory valuation instructions should be prepared which indicate:

- when and where the count will take place,
- who will do the counting,
- what items will be counted,
- how cut-offs of receipts and shipments should be handled,
- that responsible persons will be on hand to supervise the count procedures,
- when recounts are necessary, and
- how recounts should be made.

Once the details in the inventory valuation instructions have been established, the physical count should take place. The count should be carried out systematically in a manner as follows, although it will depend on the size of the inventory to be counted:

1. Movement of items into and from the area of counting should be documented, clearly showing that such items were moved during the count and the count adjusted accordingly.
2. Normally, two counts should be made by separate count teams, neither of which having access to the other count.
3. When the teams have finished counting, they should sign the ticket or count sheets acknowledging the extent to which they have counted.
4. A third party should compare the first and second count and any discrepancies between the count and the perpetual inventory records should be investigated and explained.

The following outlines the procedures required for the recording and reporting of shortages and/or overages of inventory items, as well as the procedures for obtaining approvals for inventory write-offs and/or write-ons.

PROCEDURES

1. The Storekeeper (or equivalent) should count or check inventory annually as at March 31st of each fiscal year (See Sections [9C-2.1](#) and [9C-2.2](#)).
2. a) Record item detail of shortages or overages of inventory items on a special write-off/write-on of inventory items form (herein referred to in this section as "the form") (See Section [9C-Appendix A](#))

OR

- b) When the detail required in fields 5 through 9 of the form is available from inventory valuation variance reports, attach a copy of this report to the form.
3. Complete the form, sign and forward to the Responsibility Centre Manager.
4. The Responsibility Centre Manager should review the form and ensure that adequate explanation has been given for the variance.
5. Advise the storekeeper of action to be taken to adjust records and, in cases other than obsolescence, to prevent recurrence of write-off/write-on situation.
6. a) If there is a net write-off/write on due to theft that is **less** than two hundred dollars (\$200), notify Manitoba Justice, Protective Services, sign the form and follow departmental procedures.
- b) If the net write-off/write on is due to:
 - i) fraud, arson or gross negligence and **less** than one hundred dollars (\$100), or
 - ii) other causes and **less** than five hundred dollars (\$500), sign the form and follow departmental procedures.

NOTE: In all cases involving theft, damage or loss of government property in excess of one hundred dollars (\$100), Central Finance, Insurance and Risk Management Branch must be notified (See the [General Manual of Administration](#), Section 5.8 – "Insurance and Risk Management" the [Risk Management Policy Manual](#), and Section [9C-3.0](#)).

- c) If the net write-off/write on is greater than the amount specified in 6(a) above:
 - i) notify the police,
 - ii) notify Manitoba Justice, Protective Services,
 - iii) provide any additional information, sign the form and forward to the Deputy Minister or designated officer for approval.
- d) If the net write-off/write on is greater than the amounts specified in 6(b) above, provide any additional information, sign the form and forward to the Deputy Minister or designated officer for approval.

7. The Deputy Minister (or designate) should review, approve and ensure that appropriate action is taken to prevent recurrence.
8. Advise Responsibility Centre Manager of any further corrective actions to be taken.
9. a) If the net write-off/write on is due to:
 - i) theft, fraud, arson or gross negligence and **greater** than five hundred dollars (\$500), or
 - ii) other causes and **greater** than five thousand dollars (\$5,000),provide any additional information, sign the form and forward to the Provincial Comptroller, Treasury Board Secretariat.
10. Manitoba Finance will review the form and prepare a recommendation to Minister of Finance or delegate.
11. Manitoba Finance will review and sign-off approval.
12. Manitoba Finance will advise the Deputy Minister of the department (or delegate) of any further corrective action to be taken.

This section outlines the procedures required to adjust inventory records and dispose of items that are deemed to be obsolete or surplus to the department's needs.

PROCEDURES

1. Identify an item as obsolete or surplus and explain why it is no longer required.
2. Review and ensure there is no requirement for the item.
3. If the item is on rental or issue from another department, return the item to that department and record, on the departmental records, the information contained on the receipt provided by the owner department.
4. Adjust inventory records accordingly.
5. Determine the feasibility of using the item for trade-in on similar item that is required or returning to the supplier for credit.
6. Request disposal assistance from the Materials Distribution Agency (MDA), Manitoba Central Services, if required, as described in the [General Manual of Administration](#), "Disposal of Surplus Material and Equipment".

Equipment/Vehicles/Furniture:

1. If the item is on rental or issue from another department, return the item to that department and record, on the departmental records, the information contained on the receipt provided by the owner department.
2. If the item is a departmental-owned asset, request advice from the appropriate authority. Refer to the [General Manual of Administration](#), "Disposal of Surplus Material and Equipment".

It is essential that departmental reporting include reports on inventories. These reports are used:

- as a basis for control
- for comparison of actual to budget
- to provide information on total investment in inventories from year-to-year and the cost of carrying inventories.
- to compare actual with standard turn-over rate for the type of inventory.
- for re-ordering purposes

The report of inventories must be submitted to the Senior Officer Responsible for the inventory of the department as follows:

1. Perpetual records:

- a) as at March 31st annually, the unit and dollar balance of the inventory (See Section [9C-Appendix B](#)) as determined from the records, and
- b) as of the date of the physical count, a reconciliation of the physical count to the perpetual records (See Section [9C-Appendix C](#)).

2. Periodic records:

Based on actual count taken as close as possible to March 31st (See Section [9C-Appendix B](#)).

In either case, a proper accounting cut-off is essential to the reporting of an accurate inventory figure. Where the periodic method is used, it is important to record the receipts and issues after the count starts. Where perpetual inventory records are maintained, it is important to control the postings of receipts and issues after the count starts to accurately reflect inventory.

In addition to any internal reporting, departments must report on buildings and contents as required for insurance purposes. See the [General Manual of Administration](#), Section 5.8 – “Insurance and Risk Management”, and the [Risk Management Policy Manual](#).

This section outlines the procedures to follow when identifying items which are being written-off/written-on as a result of an inventory count or check. This process should be undertaken annually or as required.

REPORT ON WRITE-OFF/WRITE-ON OF INVENTORY ITEM(S)					
DEPARTMENT ①					
BRANCH ②		LOCATION ④		ADDRESS	
DATE ③		CLASS ⑤		CLASS	
DESCRIPTION	UNIT OF ISSUE	QUANTITY	\$ UNIT PRICE	\$ TOTAL VALUE	REASON FOR WRITE-OFF/WRITE-ON
⑥	⑦	⑧	⑨	⑩	⑪
NET VALUE OF WRITE-OFF/WRITE-ON THIS REPORT				⑫	STOREKEEPER SIGNATURE ⑬
COMMENTS: ⑭					
⑮		⑯		⑰	
RESPONSIBILITY CENTRE MANAGER		DEPUTY MINISTER OR DESIGNATE		MINISTER OF FINANCE	

When applying for a write-off/write-on of inventory items, a form similar to the one depicted above should be used. This is a sample form - departments may choose to create their own form, but all required information as shown on the sample form must be included, as follows:

Field	Name	Information
1	Department	department name
2	Branch	name of branch
3	Date	date of count or check

Field	Name	Information
4	Location	the address for the inventory being counted
5	Commodity	the number and description of the division, group or class of inventory at location
6	Description	unique number and standard description of item, part number, name and/or supplier's name
7	Unit of Issue	original units of issue
8	Quantity	units of shortfall/overage
9	Unit Price	cost per inventory records or per latest invoice if inventory records are not in dollar terms or estimate for obsolete inventory
10	Total Value	quantity times price
11	Reason for Write-On/Write-Off	a) theft b) fraud, arson, or gross negligence c) spoilage d) other, explain
12	Total	net value of write-off/write-on
13	Storekeeper Signature	signature
14	Comments	additional comments by individual(s) approving write-off/write-on
15	Responsibility Centre Manager	the signature of the individual responsible for inventories and who is authorized to approve write-offs/write-ons certifies: i) that adequate explanation has been given for the write-off/write-on ii) that appropriate action is being taken to prevent a recurrence iii) that the write-off/write-on includes the total inventory for a location or represents one or more commodity classifications because of phased inventory valuation
16	Deputy Minister or Designate	the Deputy Minister or the individual who has been delegated the authority. This signature indicates: i) awareness of all major write-offs/write-ons of inventory items in the department ii) that appropriate corrective action has been taken to prevent recurrence of this loss

- iii) that the write-off/write-on of this inventory item is in compliance with legislation and regulations

17 Minister of Finance signature of the Minister of Finance or delegate in
 Or Designate Manitoba Finance approving the write-off/write-on

Forward to: Provincial Comptroller
Treasury Board Secretariat
OPCMB@gov.mb.ca

DISPOSITION AND RETENTION

Copy	Disposition	File	Suggested Retention
1	Responsibility Centre	chronological	4 years
2	Departmental Accounting	chronological	7 years
3	Department of Finance	chronological	2 years

Field	Name	Information
4	Category	the number and description of the division, group or class of inventory being reported
5	Description	common materials identification stock number and standard description of part number, name and/or supplier's name
6	Condition	O - Obsolete, R - Repairable, S - Salvage, U - Usable, X - Scrap
7	Quantity	number of units
8	Price	cost per accounting records or per latest invoice
9	Total Dollars	total of quantity times price

DISPOSITION AND RETENTION

Copy	Disposition	File	Suggested Retention
1	Senior Officer Responsible	by location	purpose served
2	stock records	by location	1 year

RECONCILIATION OF PERPETUAL RECORDS TO PHYSICAL COUNT

Department _____ ^① Inventory Control Account _____ ^②

Balance per perpetual records inventory control on day of count: ^③ XXXXXXXX

Adjustments to perpetual: ^④

	<u>No.</u>	<u>UNIT COST</u>	<u>VALUE</u>	
items unaccounted for	XXXXXX	XXXX	XXXXXX	
items damaged	XXXXXX	XXXX	XXXXXX	
items damaged	XXXXXX	XXXX	XXXXXX	
errors and other	XXXXXX	XXXX	XXXXXX	
		Total	XXXXXX	

Balance per perpetual inventory records control after adjustment ^⑤
to date of count: XXXXXXXX
(agrees to physical count)

Explanation of Adjustments: ^⑥

Signature ^⑦

This section outlines the procedures required to provide a reconciliation of perpetual inventory record control balances as at the day of the count to the actual physical count. This reconciliation report should be prepared on an annual basis, and should include the following information:

Field	Name	Information
1	Department	name of department
2	Inventory Control Account	name and/or number of inventory control account
3	Balance	total dollars per perpetual inventory records on day of count
4	Adjustments	adjustments to perpetual inventory records necessary to arrive at physical count balance
5	Balance	total dollars per perpetual inventory records and physical count after reconciliation
6	Explanation or Adjustments	reason for discrepancies between perpetual inventory records and actual count
7	Signature	signature of departmental accountant or head of administration

DISPOSITION AND RETENTION

Copy	Disposition	File	Suggested Retention
1	Senior Officer Responsible	by location	purpose served
2	stock records	by location	1 year

In addition to the broad policies set forth in Section [9A-1.2](#), the following policies apply to physical asset expenditures of equipment/vehicles/furniture which are not classified as tangible capital assets (See Section [9E](#)) because they did not meet the tangible capital asset requirements (e.g., they did not meet or exceed the threshold/capitalization limits):

1. Each item issued from inventory or purchased directly for use and considered to be major equipment, accountable items or controlled items must be recorded in the equipment/vehicles/furniture records of the user department.
2. The items should be recorded at its total cost including shipping charges if applicable, or if manufactured by a department, at the cost of material plus direct labour and overhead costs, where applicable.
3. Each department must perform a physical count of its equipment/vehicles/furniture on a cyclical basis biennially (See Section [9D-2.1](#)).
4. Each item must be valued at its Current Cost (most recent or up-to-date cost), except if the perpetual records are computerized, where the Weighted Average Cost (average cost per unit) should be used.
5. Departments must ensure that the equipment/vehicles/furniture count forms record the complete inventory valuation date including unit count, unit value and total value (See Section [9C-2.2](#)).
6. Each responsibility centre must submit, at least biennially to the departmental Senior Financial Officer (SFO), a report on equipment/vehicles/furniture as shown by the perpetual records maintained by the department.
7. Deficiencies of material discovered during these checks or at formal inventory valuations should be adjusted in the appropriate material records. Write-offs/write-ons must be submitted for required approval within 60 days of the inventory valuation or inventory check (See Section [9C-Appendix A](#)).

It is essential that departmental reporting include reports on all non-capitalized equipment/vehicles/furniture assets held by the department. These reports are used:

- for comparison of actual to budget for both direct purchases
- to provide information on the total investment in fixed assets from year to year

The value of these assets must be reported as at March 31st to the Senior Financial /Administrative Officer of the department on a biennial basis as follows:

- The schedule of physical counts for a two year period (See Section [9D-2.1](#)).
- The completed Equipment Balance and Adjustment Report, together with a Summary Variance Report (See below).

In addition to any internal reporting, departments must report on buildings and contents as required for insurance purposes as described in the [General Manual of Administration](#), Section 5.8 – “Insurance and Risk Management”, and the [Risk Management Policy Manual](#).

Asset Balance and Adjustment Report

While in inventory, these non-capitalized equipment/vehicles/furniture assets should be accounted for in the same manner as other items (See section [9C-2.2](#)). Once issued, the user department's accounting system should provide adequate accounting controls over the records to ensure that they are complete and accurate. These accounting controls shall include regular physical counts and reporting to the Senior Financial/Administrative Officer.

These reports should provide a reconciliation of any differences between the actual counts and the perpetual stock records and should report the dollar value balances. The report should be prepared on a biennial basis, or more frequently if required, and should take a format similar to the sample as shown on the following page, containing the following information:

Field	Name	Information
1	Department	department name
2	Location	physical location of items
3	Date	date of count
4	Sheet No.	number of this page
5	Of	total number of pages used at this location
6	Variance Checked by	signature of person comparing actual count to stock record
7	Extended by	signature of person extending dollar totals
8	Reference No.	common materials identification stock number, etc.
9	Description	narrative or standard description of item, size, etc.

Field	Name	Information
10	Actual Count	units counted
11	Stock Record Card Balance	units per perpetual stock records
12	Adjustments	reconciliation of variances between count and perpetual stock records
13	Adjusted Stock Record	adjusted balance of records and of count after reconciliation
14	Price	latest invoice price, weighted average, or an evaluation
15	Total Value	adjusted perpetual stock record times price

DISPOSITION AND RETENTION

Copy	Disposition	File	Suggested Retention
1	Senior Responsible Officer	by location	purpose served
2	stock records	by location	1 year

Department _____ (1)		Location _____ (2)					
Date _____ (3)		Sheet No. _____ (4) of _____ (5)					
Variance Checked By _____ (6)		Extended By _____ (7)					
Reference Number (8)	Description (9)	Actual Count (10)	Stock Record Card Balance (11)	Adjustments (12)	Adjusted Stock Record (13)	Price (14)	Total Value (15)

Physical counts of non-capitalized physical assets owned by the department should be taken at least biennially in accordance with policies, and more often if special situations warrant. More frequent counting may be necessary if significant discrepancies persist between the counts made and the records.

Prior to the physical count, the department should ensure that a logical count plan has been established to ensure that no items will be omitted from the count, or counted twice. For further details on the process of physical counts, please see Section [9C-2.2](#).

The procedures and form to be used in the write-off/write-on of non-capitalized physical assets is the same as the procedures and form to be used regarding inventories. For further details in this regard, please see Section [9C-2.3](#).

STANDARDS AND GUIDANCE

This chapter on Tangible Capital Assets (“TCAs”) is based on CPA Canada's Public Sector Accounting Standards PS 3150 Tangible Capital Assets and PS 3210 Assets. Please review CPA Canada's guidance in addition to this policy.

TCAs are a significant economic resource of government and a key component in the delivery of many government programs.

This section of the Manual deals with both general and infrastructure TCAs and contains those policies and procedures applicable to current accounting practices applied by the government, as well as those applied to retrospectively state the government's investment in TCAs – general and infrastructure.

The factors used to distinguish between a general TCA and an infrastructure TCA are:

- Consumption; and
- The ability to control access to the TCA.

General TCAs are consumed by government in providing government services, while **Infrastructure** TCAs are consumed by the general public. Access to general TCAs are usually restricted, while there is limited, if any, restriction to the access of infrastructure TCAs.

Infrastructure TCAs **do not** include:

- Inventories held for resale (including land).
- Assets acquired by Her Majesty the King in Right of the Province, such as forests, water and mineral resources.
- Heritage assets, library books, and art.
- Feasibility studies, business cases, management reviews – post implementation.
- Assets below stated thresholds.

In order to be defined as a TCA, the TCA must meet the criteria contained in the TCA description of the TCA Class Listing, as well as meet or exceed the capitalization threshold dollar amount. All TCA within a given TCA class will normally be subject to similar amortization rates, capitalization thresholds, and maximum salvage values. For details on TCA Classes, Capitalization Limits and Amortization Rates.

GROSS VALUE

The acquisition or development cost and accumulated amortization of TCAs will be recorded at their gross values, with no netting of the amounts. Fully amortized TCAs will also be recorded at their gross values.

AUTHORITY

Various statutes provide authority for the acquisition, management, and disposal of TCA's:

- [The Land Acquisition Act](#) establishes the Real Estate Services Division with authority in all matters relating to the acquisition or expropriation of land by any authority.
- [The Public Works Act](#) sets out the conditions for the acquisition of property for public works, the management of public works, and the disposal of property.
- [The Government Purchases Act](#) establishes the Procurement and Supply Chain Division with authority to arrange for the purchase of any and all commodities.

In addition, certain statutes provide authority for the purchase and disposal of TCAs for specific purposes, such as:

- [The Crown Lands Act](#) establishes the Real Estate Services Division with authority to manage and administer Crown lands and provides for the disposition of Crown lands.
- [The Transportation Infrastructure Act](#) authorizes the purchase and disposal of real or personal property for departmental roads or related purposes, and for the disposal of surplus property.
- [The Land Rehabilitation Act](#) provides for the acquisition of lands for the benefit of agricultural areas within the Province.

Policies related to the acquisition and management of TCA's is also contained in various administrative policies as outlined in the [General Manual of Administration](#) ("GMA").

The authority for a department to acquire, construct or develop a TCA or a portion thereof is provided in the Part B Capital Budget of the Estimates of Expenditure. Departments that do not have this authority must request Treasury Board Secretariat ("TBS") approval for supplementary funding in Part B. If all or a part of the funding currently resides in a Part A operating appropriation, these funds must be encumbered by the department.

The central financial and accounting system (SAP) will only reflect those appropriations and funding that have been approved in the Estimates of Expenditure, unless subsequent authorization has been provided through the normal supplementary funding processes such as Special Warrants. Therefore, it will not be possible to properly record TCA acquisitions without the necessary funding in place.

TCA transfers require Treasury Board approval and are typically identified when annual estimates of expenditures are prepared. TCA transfers will also be needed due to mid-year re-organizations. For more information, refer to the [Re-organization Procedures Manual](#).

ASSET

Assets are economic resources controlled by the government that are a result of past transactions or events and from which future economic benefits are expected to be obtained.

Assets have three essential characteristics:

- They embody a future benefit that involves a capacity, singly, or in combination with other assets to provide future net cash flows, or to provide goods and services.
- The government can control access to the benefit.
- The transaction or event giving rise to the government's right to, or control of, the benefit has already occurred.

Based on the above definition, control of the economic resource needs to be assessed. Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization's activities.

Hence, if the above criteria are met, the TCA project meets the definition of an asset under PSAS. In certain situations, control over AUC with development partners can become very complicated. Assessment of control must be completed in conjunction with OPC based on specific facts of the arrangement and contract.

TANGIBLE CAPITAL ASSET

An expenditure will be considered and accounted for (capitalized) as a TCA if the expenditure meets the asset description criteria and meets or exceeds the capitalization threshold dollar amount as outlined in the TCA Class Listing that follows. All assets within a given TCA class will normally be subject to similar amortization rates, capitalization thresholds, and maximum salvage values.

TCAs are divided into classes for financial recording and reporting purposes. Within the classes, there are two segments: General TCAs and Infrastructure. The following section outline principles are to be applied with respect to classifying TCA.

Accumulated Amortization (Accumulated Depreciation)

The consumed or "used up" portion of the TCA, represented by the cumulative amount of annual amortization (also known as depreciation).

Acquisition Cost

The amount of consideration given up to acquire, construct, develop or better a TCA. This includes all costs directly attributable to acquisition, construction, development, or betterment of the TCA, including installing the TCA at the location and in the condition necessary for its intended use.

Amortization (Depreciation)

The process of allocating the cost of a TCA, less any residual value, over the TCA's estimated useful life in order to match costs with the revenues or public services that it helps to generate. Amortization should be apportioned over an TCA's useful life in a rational and systematic manner appropriate to that TCA's nature and use.

Amortization will be calculated on the straight-line method of depreciation, which charges an equal amount of amortization per period over the useful life of the TCA and reflects a constant charge for the service as a function of time. In the year of acquisition, the system will amortize the TCA as if it was purchased halfway through the year.

Assets Under Construction

Assets Under Construction ("AUC") refers to infrastructure and General TCA projects that are currently being constructed, excluding software under development that is discussed.

Betterment

A cost incurred to enhance the service potential of an existing TCA. For details on betterments and associated service potential.

Capitalization Limit

The capitalization limit is the minimum acquisition cost an item or project should meet or exceed in order to be recorded as a TCA in that particular TCA class.

As TCAs should be budgeted within the Part B Capital Budget prior to acquisition or development, the total cost should be estimated to determine whether the capitalization limit has been reached. If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

For cost-shared TCAs, the decision to capitalize is based on the gross acquisition cost. Netting recoveries against the TCA is not permitted.

Capitalized Interest

Any carrying costs (interest costs) directly attributable to and incurred during either an in-house design–construction or in-house systems development-testing project, where the projected costs exceeds the minimum threshold value associated with the particular TCA class they relate to and the development exceeds one year, must be capitalized as part of the TCA cost, unless the asset or system is ready for productive use. Please refer to "Capitalization of interests".¹

Cloud Computing

Cloud computing is the delivery of computing services – servers, storage, databases, networking, software, analytics and more – over the Internet ("the cloud").¹

Component Approach to Capitalization

Under the component approach, a whole TCA is split into different components that are individually capitalized. Component assets that meet the TCA minimum threshold value associated with the particular TCA class they relate to are amortized over their appropriate useful life

Contributed TCA

TCAs which have been given to the government for the government's use in delivering programs, whereby all or part of the acquisition costs of that TCA are paid for by the contributor.

Direct Costs

Any costs that are directly attributable to the project, such as labour and material costs that have been incurred to construct the TCA or to perform enhancements that increase the service potential of the TCA.

Fair Value

The amount of the consideration that would be agreed upon in an arms-length transaction between knowledgeable and willing parties who are under no compulsion to act.

Gain on Disposal

The amount by which the proceeds realized upon a TCA's disposal exceed the net book value (see definition of net book value below) of the TCA, after applying the half-year of amortization (six months' worth of depreciation) in the year of disposal (if applicable).

Infrastructure TCA (Infrastructure TCAs)

Infrastructure TCA are assets that are consumed by general public. There are usually limited to no restrictions to the access of infrastructure TCAs.

Interest Rate

The annual cost of capital rate calculated by Treasury must be used for the calculation. Interest rate is the interest rate presented in the legally binding construction/development contract if available.

Lease

The conveyance, by the lessor to the lessee, of the right to use a TCA, usually for a specific period of time in return for the payment of agreed upon amounts.

Capital lease is the lease that, from the point of view of the lessee, transfers substantially all the benefits and risks incidental to ownership of property to the lessee.

Operating lease is a lease in which the lessor does not transfer substantially all the benefits and risks of ownership to the lessee.

Lessee

The lessee is the party who gets the right to use the TCA for a specific period and makes periodic payments to the lessor based on their initial agreement.

Lessor

The lessor is the legal owner of the TCA and gives the lessee the right to use the TCA or for a specific period.

Loss on Disposal

The amount by which the net book value (see definition below) of the TCA exceeds the net proceeds realized upon the TCA's disposal, after applying the half-year of amortization (six months' worth of amortization) in the year of disposal (if applicable).

Net Book Value (NBV)

The cost of a TCA, less both its accumulated amortization and the amount of any write-downs (see definition of write-down below). Net book value will always include the residual (scrap) value of a TCA.

Professional Judgement

Professional judgement is based on an individual's past experiences and training. In the presence of uncertainty, the application of judgement is inevitable. For example, professional judgement should be used in determining which costs are to be capitalized, the proper classification of certain TCAs, the residual value to apply, and the appropriateness of the useful life. In cases of exercising professional judgement on material transactions or events, consulting with OPC is required.

Residual (Scrap) Value

The residual value of a TCA is to be estimated at the time of creating the TCA master record (i.e., just prior to issuing a Purchase Requisition and/or a Purchase Order). No changes are to be made to the residual (scrap) value of an TCA without written authorization from the Department of Finance.

Residual Value

The estimated net realizable value (i.e., net of disposal costs) of a TCA at the end of its useful life.

Retirements (Disposals)

Retirements or disposals of government TCA in an accounting period occurs by sale, destruction, loss or abandonment. Such disposals represent a reduction in the government's investment in TCAs and the Net Book Value of the TCA should be removed from the books, regardless of how that investment is reported. An asset-held-for-sale becomes a financial asset. If it is determined that the book value is greater than the fair value a "valuation allowance should be established to reflect the asset at its net recoverable or other appropriate value.

Straight-Line Method

The straight-line method is an approach of amortizing a TCA which reflects a constant charge as a function of time and the amount amortized each year is constant.

Tangible Capital Assets ("TCA")

Non-financial assets having physical substance (includes computer software) that are acquired, constructed or developed, and:

- Are held for use in the production or supply of goods and services;
- Have useful lives extending beyond an accounting period and are intended to be used on a continuing basis; and
- Are not intended for sale in the ordinary course of operations.

TCAs are to be capitalized in accordance with the TCA Class Listing.

TCA Classes

To arrive at the TCA class which best fits the item being acquired, departments are to apply the definitions and notes contained in the TCA description column, and any information available within the Estimates of Expenditure themselves. Any inquiries regarding classification of TCAs should be directed to the Office of Provincial Controllershship (OPC).

Third Party Assistance Towards the Purchase of a TCA

Where the government receives assistance from a third party towards the purchase of a TCA (e.g., federal cost shared agreements), the acquisition cost of the TCA should be reflected at its gross cost, with revenue recorded equal to the contributions received. Third party assistance is **not** to be netted against the cost of the TCA.

Transfers

Where an entire TCA, or a portion thereof, is transferred from one program area to another, or one cost centre to another, either within a department, or between departments. Asset transfers require Treasury Board approval and are typically identified when annual estimates of expenditures are prepared. Asset transfers will also be needed due to mid-year re-organizations. For more information, refer to the [Re-organization Procedures Manual](#) or contact publicaccounts@gov.mb.ca.

Useful Life

The estimate of the number of years over which a TCA is expected to be used. The useful lives of TCAs are grouped by TCA class cannot vary from that established value without written approval from the OPC.

Useful Life (Amortization Rate)

The useful life (amortization rate) of a TCA should conform to that of the TCA class. No changes in useful life are to be made without prior written authorization from the Department of Finance. Requests for a case-by-case review of a TCA's useful life must be made through the OPC.

Whole Asset Approach

Whole Asset approach considers a TCA to be an assembly of connected parts. Costs of all parts should be capitalized, must meet the minimum threshold value associated with the particular TCA class they relate to and amortized as one TCA.

Write-Downs (Includes Disposals and Demolition of TCAs)

A write-down is appropriate if the following exists:

- a) A change in the extent to which the TCA is used;
- b) A change in the manner in which the TCA is used;
- c) Significant technological developments;
- d) Physical damage;
- e) Removal of the TCA from service.
- f) A decline in, or cessation of, the need for the services provided by the TCA;
- g) A decision to halt construction of the TCA before it is complete or in usable or saleable condition; and
- h) A change in the law or environment affecting the extent to which the TCA is used.

When the TCA no longer contributes to the government's ability to provide goods and services, it would be written down to residual value, if any. This would be appropriate when the government has no intention of continuing to use the TCA in its current capacity, and there is no alternative use for the TCA. In other circumstances, it will be necessary to estimate the value of expected remaining future economic benefits.

Where a government objectively estimates a reduction in the value of the TCA's service potential to the government and has persuasive evidence that the reduction is expected to be permanent in nature, the TCA would be written down to the revised estimate of the value of the TCA's remaining service potential to the government.

Write-offs

TCAs that are destroyed, stolen, lost, or have become obsolete to the extent that they are no longer useful are written off. When a TCA is written off, the value of the TCA is removed from the financial records contained within the SAP Asset Management Module. The department owning the TCA will be charged with the loss equal to the TCA's remaining net book value.

Write-ups

Write-ups are an increase in value of a TCA, which could be a result of an increase in fair value. The Public Sector Accounting Standards does not allow for the use of write-ups with respect to TCA accounting. A write-up transaction is available to the Department of Finance "ZAM_CMG_CORP" role to correct any transactions made in error that cannot be reversed within the central financial and accounting system (SAP).

The following are policies for the measurement of TCAs:

COST MEASUREMENT POLICIES AND GUIDANCE

Costs for Capitalization – Policy

The cost of a TCA should be amortized to expense over the useful life of the TCA.

The cost of a TCA should include the purchase price, or the fair value for donated assets, plus any other acquisition costs such as installation, design, engineering, legal and architectural fees that are specifically related to the purchase, survey costs, site preparation costs, freight charges, transportation, insurance, and duties.

The cost of a TCA which is **constructed in house** would normally include all direct construction costs such as materials, labour, design, installation, engineering, architectural fees, survey, and site preparation costs. It would also include any overhead costs directly attributable or that are incremental as a result of the project/construction activity such as licenses, inspection fees, and amortization of any equipment used in the construction project.

NOTE: This does not include costs relating to feasibility studies, business cases, building condition assessments, project scoping costs, and unanticipated legal costs associated with the purchase or construction of TCA. Unanticipated legal expenses (i.e., litigation costs) are incurred that are not part of the normal course of a transaction or do not improve the TCAs service potential.

Direct labour costs, such as staff time spent on the project, is included in the cost of the TCA if a substantial portion (equal to 50% or more of the supervisor's time for four or more consecutive months) of their time is dedicated to capital projects.

Betterments – Policy and Guidance

Betterments should meet the minimum threshold value of an TCA class. The cost of betterments should be capitalized as a sub-number TCA to the main TCA number to which they relate.

The distinguishing feature of a betterment is the alteration or modernization of an existing TCA that appreciably prolongs the TCA's period of usefulness or improves its functionality or service potential. Alternatively, a repair maintains an TCA's predetermined functionality or service potential and does not improve its service potential. Repairs and maintenance are to be expensed as Part A costs.

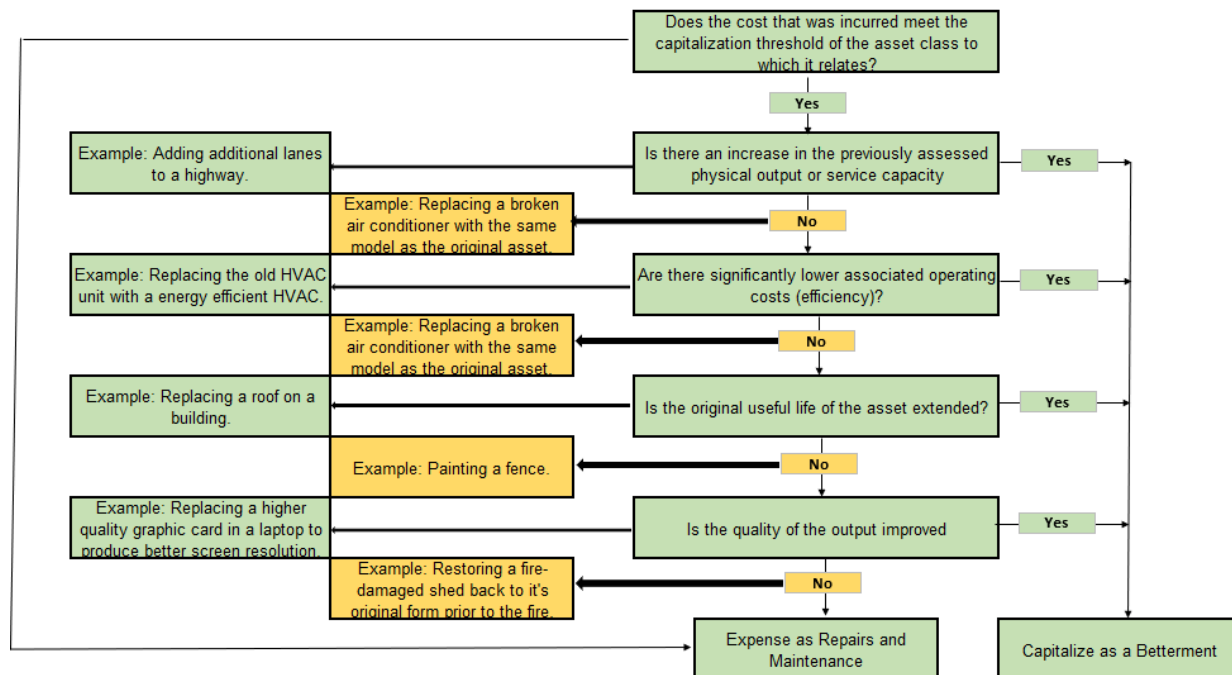
Betterments are considered to be TCA additions for the TCA to which they relate. The cost of betterments, if they meet the minimum threshold value of the particular TCA class they relate to, are capitalized as a sub-asset to the main TCA. The betterment is to be amortized over the life of the class it is associated with unless its life is of a shorter duration. In this case, consider the component approach outlined above, if applicable. When a betterment involves the replacement of an identifiable TCA, the original cost of that component and the related accumulated amortization must be written off as it is no longer in service.

Prior approval of a significant write-off is required from Treasury Board.

Betterment must not exceed the maximum useful life available for the TCA class. It may however extend an individual TCA beyond its original useful life up to the TCA class maximum.

Consider the following Decision Tree when determining if expenditures are capital (betterment) or operating (repairs/maintenance) in nature.

Betterment Decision Tree



Some examples of betterments include:

- Replacement of a wooden floor with a concrete floor.
- Replacement of a roof that would result in extending the TCA's useful life, and/or result in lower operating costs.
- Office renovations that result in more efficient use of space. This would also apply in the case of leased facilities. The amortization term in the case of improvements in leasehold facilities would be the term of the lease plus one extension, if applicable. **NOTE:** Where office renovations are made as a result of a move, only the actual renovation/improvement costs are eligible as a betterment. The actual moving costs are deemed to be an expense item.
- TCA improvements required as a result of enforceable code (e.g., Workplace Safety and Health upgrades, Barrier Free Access upgrades, upgrades as a result of a Fire Commissioner's report, etc.) The costs incurred for asbestos removal is considered to be an expense.
- Systems and equipment replacements that will extend the useful life of the building (e.g., boilers, elevators, control systems, etc.) (See "Note" below).
- Building renovations and restorations that will extend the useful life of the building.

NOTE: Care must be taken to properly classify a repair/replacement from a betterment, especially concerning building components, systems, etc. A repair or replacement constitutes the repair of an existing component or the replacement of an existing component with a similar component. Most building components/systems have an accepted life cycle. If the replacement of a component is required before or at the end of its accepted life cycle and its replacement does not result in the extension of the useful life of the building for accounting purposes, the replacement would normally be considered a repair/expense item. If the replacement of a component/system occurs toward the end of the useful life cycle of the building and its installation results in the extension of the useful life cycle, then the cost is classified as a betterment.

A **substitution/replacement** of a similar TCA, with no added value, is an operating cost that is expensed in the current year. (Unless the TCA was accounted for as a component). Examples include:

- A wooden floor for a wooden floor.
- Roof replacements that would normally occur within the specified building accounting life cycle. For example, a roof will normally have a twenty-year life cycle. If the roof were replaced with a similar roof in year 20 of a 40-year accounting life cycle, the cost would be expensed rather than capitalized. If the replacement roof was a better roof (e.g., better insulation), the roof would be capitalized. If the roof replacement took place in year 35, the cost would be capitalized as the roof would clearly extend the life cycle of the building.
- Renovations including replacement of carpeting, painting, office space renovations, etc.
- Systems and equipment repairs that do not extend the useful life of the building.
- Building repairs that are required in the normal maintenance process.

Many items formerly budgeted as capital expenses are no longer considered to be capital expenses under the definition of a TCA or a betterment. These include, but are not limited to:

- Office consolidation.
- Costs related to co-location, back-filling or realignment of space.
- Property disposal costs.
- Legal or consultant fees not associated with a capital project.
- Art maintenance or restoration costs.
- General furniture acquisition costs unless furniture acquisition is part of a new building construction or the establishment of a major new office location, whether in an owned or leased location.
- Items formerly included as miscellaneous minor capital.
- Lease cancellation costs.

For infrastructure, because of their complexity and long lives, identifying expenditures that would extend their lives is not practicable. As such, the following distinction should be used to identify the differences between infrastructure repair or maintenance and betterments:

- Repairs or maintenance maintains the predetermined service potential of a TCA for a given useful life. Such expenditures are charged to expense in the accounting period in which they are made.
- Betterments increase service potential (and may or may not increase the remaining useful life of the TCA). Such expenditures would be included in the cost of the related TCA.

For example, expenditures on road systems to widen roads or add to the number of lanes expand the capacity of the road system to provide services and are clearly betterments. On the other hand, expenditures to maintain the originally anticipated service potential of a road, or its estimated useful life, are more in the nature of maintenance.

Contributed (Donated) TCA – Policy

Where the government receives a donation of TCAs, the cost of the TCA will be reflected at the fair value of the TCA at the date of the donation, and revenue will be recorded in an equivalent amount for all TCAs including land.

Fair value is established by reference to market or appraised values. Where fair values cannot be determined, the TCA should be recorded at a nominal value.

Since donated TCAs were not purchased by way of debt, departments will not be charged interest on TCAs received by way of donation. These TCAs should be recorded in TCA Classes 50-89.

Capital Lease – Policy

Per PSAS PSG-2, guidance on Leased TCAs:

A capital lease is accounted for as though the asset had actually been purchased. From the viewpoint of the lessee, a lease would normally transfer substantially all the benefits and risks of ownership from the lessor to the lessee when, at the inception of the lease, one or more of the following conditions are present:

- There is reasonable assurance that the lessee will obtain ownership of the leased property by the end of the lease term or when the lease provides for a bargain purchase option.

A bargain purchase option is a provision allowing the lessee an option to purchase the leased property for a price that is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable that, at the inception of the lease, exercise of the option appears to be reasonably assured.

- The lease term is of such duration that the lessee will receive substantially all the economic benefits expected to be derived from the use of the leased property over its life span. This condition is considered to be met if the lease is for a term equal to or greater than 75% of the economic life of the leased property.
- The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value at the beginning of the lease term, of the minimum lease payments, excluding any portion relating to executory costs, is equal to 90% or more of the fair value of the leased property. In calculating the present value of the stream of lease payments, at the inception of the lease, the discount rate used by the lessee would be the lower of the lessee's rate for incremental borrowing for a term equal to the initial lease term and the interest rate implicit in the lease, if known.

Even if the lease does not meet any of the above three tests, if it transfers substantially all of the benefits and risks of ownership to the lessee, the transaction should be accounted for as an acquisition of a TCA and an incurrence of an obligation by the lessee. In such cases, direction must be sought from OPC at publicaccounts@gov.mb.ca.

At the inception of a capital lease, an asset and a liability must be recorded at the lesser of:

- The present value of the minimum lease payments, or
 - The property's fair value at the beginning of the lease.
- Fair value is established by reference to market or appraised values.

The capitalized value of a TCA under a capital lease must be amortized on a straight-line basis over the useful life of the associated TCA class when there is reasonable assurance that the lessee will obtain ownership of the property as a result of the lease.

TCAs leased under a capital lease must be disclosed separately to distinguish between TCAs that the government owns and those that it only has the right to use. All other leases are to be accounted for as operating leases, where rental payments are expensed as incurred.

Whole Asset vs. Component Approach – Policy

For the purposes of capitalization and amortization, the two methods of defining TCAs are the Whole Asset and Component approaches.

- Whole Asset approach considers a TCA to be an assembly of connected parts. Costs of all parts should be capitalized, if they meet the minimum threshold value associated with the particular TCA class they relate to and amortized as one TCA.
- Under Component approach, different components of a new TCA are individually capitalized, if they meet the minimum threshold value associated with the particular TCA class they relate to, and amortized.

Both the Whole Asset approach and the Component approach are acceptable under Public Sector Accounting Standards PS 3150. There are circumstances, where it is appropriate to allocate the total expenditure on a TCA to its component parts and account for each component separately. This is more favourable in cases when the component assets have very different useful lives from the main TCA and are material in nature to the whole TCA.

Component approach is to be used for road systems infrastructure and buildings and roofs. The pavement, base and subgrade, curbs, footpaths, bridges, and lighting within a road system, and roofs on buildings need to be treated as separate items as they have different useful lives. These components are to be capitalized if the cost meets or exceeds the minimum value threshold associated with the particular TCA class to which they relate.

The following Infrastructure assets are also capitalized on a component basis, if they exceed the minimum value threshold value and are associated with the particular TCA class, are as follows:
Provincial roadways & trunk highways – eligible components include:

- Asphalt, concrete, or composite pavements.
- Shoulders.
- Ramps.
- Turning lanes.
- Curbs and gutters.

Practical expedient for applying the Component approach:

Componentization Step	Componentization Example
Identify the components to be reported separately from the TCA.	A roof of a building must be reported separately from the greater TCA of the building.
Allocate an appropriate portion of the cost from the greater TCA to the significant various components.	The NBV of the building is \$50 million of which a portion is allocated to the roof. If the supplier provides cost amounts for the separate components of the TCA or the TCA is internally generated, then the cost should be allocated based on cost information. If this is not available management will make the allocation based on market information available. In this example \$5 million will be allocated to the roof.
Identify the various useful lives of the TCA and its components and amortize the various portions over the appropriate periods.	The building has a useful life of 40 years and the roof has a useful life of 20 years. Separate amortization schedules are created for both to reflect their respective useful lives.
When an TCA component is	After 20 years the useful life of the roof has ended,

Componentization Step	Componentization Example
replaced, the cost of the TCA and its related accumulated amortization is removed from the accounting records, with the replacement component capitalized.	the cost and accumulated amortization of the roof is removed from the books if a replacement roof is installed. The replacement roof will be capitalized and begin amortization will begin in the period of replacement.

Componentization – Policy

If the cost of components of the TCA meets the minimum threshold value of an TCA class listed in [9F-9.0](#), costs must be capitalized as a sub-number TCA to the main TCA number. The component that was replaced by the new component must be written off prior to capitalizing the new component.

Transfers – Policy

Transfers of TCAs from one department to another, or to another government organization/entity (such as a reporting entity designated in Schedule 8 of the Public Accounts), are to occur at the net book value of the transferred TCAs. This will ensure that gains/losses are not recorded for transfers within the Government Reporting Entity.

Third Party Recoveries (Cost Shared Assets) – Policy

Where a portion of a TCA's construction/acquisition cost is to be recovered from a third party, such as the federal government, the TCA acquisition/capitalization cost must be recognized at its gross cost. Third party assistance/recoveries are not to be netted against the cost of the TCA. Where contributions are received from other sources, the offset is to be recorded as revenue. For further clarity, gross accounting for the third-party revenues is required, and all expenditures are to be capitalized accordingly.

Trade-Ins – Guidance

A TCA for a TCA: (Where a TCA is acquired with the trade-in of an existing TCA):

Scenario:

Cost of new TCA	\$11,000
<u>Less trade in</u>	<u>\$(3,700)</u>
Total due	\$7,500

Trade-in transactions are accounted for on a gross basis, not a net basis, and consist of three separate transactions as follows:

1. Retirement (sale/disposal) of the old TCA (through the SAP Asset Management (MM) module):

The entry made in the SAP system:

DR. 3110980 Sale of Gov't TCAs	\$3,500
DR. 1180xxxx Accumulated amortization	\$5,500
DR. 778000 Loss on disposal of TCAs	\$1,000

(\$4,500 NBV less \$3,500 trade-in value)

CR. 1080xxx Old TCA

\$10,000

The loss will be drawn from funds in the program's operating appropriation that owns the TCA (as identified by the cost centre to which the TCA is assigned) (i.e., not the Department's amortization appropriation).

2. Receipt of the new TCA (i.e., payment of invoice for new TCA – through the SAP MM module): The entry made in the SAP system:

DR. 1080xxx New TCA

\$7,500

CR. Accounts Payable/Cash

\$7,500

The \$7,500 debit entry capitalizes the cost of the TCA, and in doing so, draws funds from the Part B – Capital Investment budget.

3. Clearing the "proceeds" of the trade-in and grossing up the value of the new TCA is done using a Journal Entry (transaction F-02 in the SAP system), as follows:

DR. 1080xxx New TCA

\$3,500

CR 3110980 Sale of Gov't TCAs

\$3,500

This entry draws funds from the Part B – Capital Investment budget.

Once these three transactions occur, the new TCA is capitalized at a cost of \$11,000, with the entire \$11,000 being required in the Part B – Capital Investment budget (not the \$7,500 net amount).

A Prior Year Acquisition for a TCA

If a current year transaction involves the trade-in of a TCA that was expensed (Part A) in prior years, the trade-in credit would be applied to a current year's Part B expenditure. The following correcting entry should occur:

- The credit received will be recorded as a refund of prior years' expenses.
- The current year's capital acquisition will draw down the current year's Part B appropriation for the entire amount.

The entry that would be made is as follows:

DR. 1080xxx or 1090xxx New TCA

\$xxx

ASSET RETIREMENT OBLIGATIONS POLICY

The measurement and financial reporting for the obligation and retirement costs of TCAs can be found in the [Asset Retirement Obligation Policy](#) section of the FAM (9G).

AMORTIZATION POLICY

Amortization in the year of Acquisition or Retirement:

For any TCA (see exceptions below) acquired, **one-half year of amortization** will be charged to expense in the year of acquisition or the year the TCA is put into productive use. This calculation is done automatically by SAP.

For any TCA that is disposed of, **one-half year of amortization** will be charged to expense in the year of disposal, providing at least one-half year of amortization (useful life) remains in the year of disposal. For detailed procedures, please see the SAP ["Asset Management"](#) Training Manual.

NOTE: The exceptions to the above are AUC (Classes 14, 44) and Land (Classes 1, 20).

WRITE-DOWNS POLICY

Write-downs should be recorded when the reduction in the value of a TCA is objectively estimated and is expected to be permanent. The net effect of the write-down will be charged to the department's amortization expense account funded by its amortization appropriation. The write-down must never be reversed. If it has been determined that an existing AUC should not have been capitalized, the AUC should be written off as a Part A operating expense against the amortization appropriation for prior year(s) costs, and credited out of the AUC to the appropriate operating expense(s) for current year costs.

Write-downs are not to be done unless prior approval has been received from OPC.

DISPOSALS POLICY AND GUIDANCE

Gains and Losses on Disposal – Policy and Guidance

Gains realized upon the disposal of TCAs will be recorded as general revenue. Losses realized upon the disposal of TCAs will be recorded as a specific program expense, and thus charged to the operating appropriation (Part A) of the business area (department) that owns the asset (i.e., the cost centre currently being used to record the monthly amortization for that TCA).

Accounting

The following is an example of the accounting entry that would be generated by an TCA retirement transaction (asset retirement with revenue and no customer, with a gain on the sale):

DR. 3110980 Clearing – Rev from TCA Sales	\$3,000,000	
DR. 1180110 Accum Amortization – Bldg Brick	\$400,000	
CR. 1080110 Buildings – Brick		\$1,000,000
CR. 5400001 Gain – Disp of Govt TCAs		\$2,400,000

Upon receipt of payment, the clearing account should be cleared using the following accounting entry:

DR. 1010020 Royal Bank General Account	\$3,000,000	
CR. 3110980 Clearing – Rev from TCA Sales		\$3,000,000

Insurance Proceeds – Policy

Insurance proceeds from loss or damage to TCAs will be recorded as proceeds of disposition /disposal (cash or accounts receivable) and will form part of the gain/loss calculation on disposal of the TCA (see above). The difference between the insurance proceeds and the net book value of the TCA should be treated as a gain or loss on disposal.

Losses resulting from insufficient insurance or self-insurance will be expensed and thus charged against the operating appropriation (Part A) of the specific program area owning the TCA (i.e., the cost centre currently being used to record the monthly amortization for that TCA). Upon Treasury Board Secretariat (TBS) approval, funds from Emergency Expenditures (Part A, Appropriation 27.1) will be transferred to the department's related operating appropriation to provide budgetary funds equal to the loss.

Gains should be recorded as general revenue and will not be netted against any departmental expenditure account.

The development or purchase of a replacement TCA will be funded from departmental Part B appropriations or, upon receiving TBS approval, funds from Part B Emergency Appropriation (Enabling Appropriation) would be transferred to the departmental Part B appropriation to cover a portion or all of the TCA purchased. Where a shortfall exists, departments will be required to fund such purchases from existing departmental Part B appropriations, or they will have to request supplemental Part B funding from TBS.

Control over all expenditures is necessary, but in the case of TCA's, where the items are in use over a period of time, additional controls are necessary. This additional control must be exercised over the item from the time of acquisition/construction until the time of disposal.

In accordance with public sector accounting standards, the Province must capitalize and amortize all TCA's. The accounting and control system used must be integrated with SAP and must ensure safe custody of the TCAs. Departments must consider the general management requirements for visibility, accountability, and control in all financial matters. The system must use the Common Material Identification System to identify specific items, where applicable.

Departments must ensure that all TCAs are properly received, and responsibility assigned as follows:

RECEIVING CONTROLS GUIDANCE

The recording in the TCA accounting departmental records of all items received, showing:

- The physical description.
- The date received.

The position in department responsible for safeguarding

ASSIGNMENT CONTROLS GUIDANCE

The prompt assignment of responsibility for the item to an authorized person within SAP. It is particularly important that the departmental systems provide for the safeguarding of:

- Attractive items of tangible public property that are considered targets for pilferage or are readily converted into cash (e.g., expensive cameras, electronic hand-held devices, etc.).
- Moveable items of tangible public property that have a life expectancy of over one year (e.g., furniture, vehicles).

The minimum requirements that must be met in any system to control and account for TCA's is as follows:

- The appropriate approval prior to all construction, acquisition and disposals as required by statute and Treasury Board Directives (See the General Manual of Administration, "General Approvals").
- The maintenance of records for completed TCAs for which the department is responsible. These records should contain the following information for TCAs that are physically still in service:
 - Physical description.
 - Acquisition or completion date.
 - Size or other unit of measure,
 - Condition (including the need for any obsolescence provisions).
 - Location.
 - Cost information.
- The balancing by departments of their TCA records with the expenditure and revenue records maintained by the OPC.
- The accounting records of TCA's should not include normal maintenance or repairs. Instead, these are to be charged to operating appropriations.

ACCOUNTING RECORDS CONTROLS GUIDANCE

The account records for each TCA and AUC shall be maintained in SAP as follows:

- Each department must maintain a record of its contracts or agreements that extend over more than one fiscal year as well as records of such items as patents, copyrights, rights of way, etc.
- Each department must maintain a record of all TCA's whether received by acquisition, construction, capitalized leasehold improvement or gift.

Contractual arrangements include “payment for work performed” as the work progresses. Departments must establish procedures for recording the details of the contract/agreement/grant in order to safeguard the TCA, to facilitate accounting control and to provide information required for payment processing.

Departmental systems should include:

- A job costing system from conception to completion, including detailed contract records for each contract, agreement, or grant.
- The physical examination of construction in progress at least at each billing stage or on self-constructed projects, at regular intervals. The individual conducting the physical examination must make recommendation for payment.
- The accumulation of cost data on works-in-progress and the comparison of actual cost-to-date with budgets.
- The maintenance of work-in-progress records by departments (See Section 9F-Appendix C). These should contain the following information:
 - Physical description of the TCA,
 - Location of the TCA.
 - Authorization to date.
 - Cost incurred to date, including holdbacks.
 - State of progress.
- The follow-up and approval of all significant over-expenditures.
- A reporting system which will meet both management and central agency requirements such as:
 - Reconciliation of year-end balances.
 - Future contractual obligations and commitment.

Assets Under Construction (AUC) refers to infrastructure and General TCA projects that are currently being constructed, excluding software under development that is discussed.

AUC COSTS POLICY AND GUIDANCE

Under PS 3150.10, the types of costs that are allowable if control exists are:

“The cost of a tangible capital asset includes the purchase price of the asset and other acquisition costs such as installation costs, design and engineering fees, legal fees, survey costs, site preparation costs, freight charges, transportation insurance costs, and duties. The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity. The activities necessary to prepare a tangible capital asset for its intended use encompass more than the physical construction of the tangible capital asset. They include the technical and administrative work prior to the commencement of and during construction.”

The cost of a TCA includes other acquisition costs such as installation costs, design and engineering fees, anticipated legal fees survey costs, site preparation costs, freight charges, transportation insurance costs, and duties.

The cost of a constructed TCA would normally include direct construction or development costs (such as materials and labour) and overhead costs directly attributable to the construction or development activity.

The activities necessary to prepare a TCA for its intended use encompass more than the physical construction of the tangible capital asset. They include the technical and administrative work prior to the commencement of and during construction.

As mentioned above, there are a number of costs that should be deemed directly attributable to the construction project and are eligible to be capitalized as AUC as follows:

- Any costs that are directly related to the project such as labour and material costs that have been incurred to construct the TCA or perform enhancements that increase the service potential of the asset.
- Acquisition costs such as the purchase price, appraisal fees, brokerage fee and legal fees.
- Land improvement costs such as the cost of preparation of land to facilitate new construction.
- Site preparation costs such as landscaping of buildings.
- Professional fees incurred for services provided by an outside third party for services such as appraisal, application, survey, inspection, design, engineering, and environmental assessments.
- Fixed components integral to the effective functioning of the TCA such as HVAC system.
- Costs of betterment incurred subsequent to initial construction of TCA for example, an addition to an existing TCA.

Any overhead costs directly attributable to the construction or development of the project, including storage and handling charges; transportation and freight charges; and utilities expenses.

AUC MEASUREMENT POLICY AND GUIDANCE

- Carrying costs (such as interest) incurred while land acquired for building purposes is held without any associated construction or development activity do not qualify for capitalization.
- AUC accounts should be established, such that the AUC capital costs are tracked separately from the TCA that are currently being amortized.
- If the construction of a TCA occurs over a period of multiple years, the capital costs should be accumulated as AUC until the TCA is ready for productive use or construction or development is substantially completed.
- Capitalization of carrying costs ceases when no construction or development is taking place or when a TCA is ready for use in producing goods or services. A TCA is normally ready for productive use when the acquisition, construction or development is substantially complete. Additional analysis is required to assess if a write down or write off is required due to the AUC.
- When the construction or development of the asset is substantially completed and the TCA is ready for productive use, AUC are to be transferred to an appropriate TCA class and amortization of the TCA will begin based on the useful life of the TCA class it is classified under.

If it is determined that there will be a change in how the TCA will be used, while it is still being constructed, capitalization of the costs may continue as long as those costs do not exceed the expected future service potential that is to be derived from the new intended use of the TCA.

CAPITALIZING INTEREST POLICY AND GUIDANCE

Any carrying costs (interest) associated with either an in-house construction or in-house systems development project where the projected costs exceed \$20 million and development time exceeds one year, should be capitalized as part of the capital asset cost, unless the asset or system is ready for productive use. Capitalization of carrying costs should generally cease at this point.

Interest costs to be capitalized should be calculated using the interest rate presented in the legally binding construction/development contract for funding through the contract if applicable. If not applicable, the annual cost of capital rate calculated by Treasury should be used for this calculation.

Capitalization of carrying costs ceases when no construction is taking place or when a TCA is ready for productive use or construction is substantially completed. However, interest costs should continue to be capitalized as part of the TCA cost for those projects that require further work to complete the TCA or to realize the full potential of the project. In the case, the additional interest to be capitalized applies to the additional costs incurred from the date of placing the TCA into productive use, not the total cost of the project. Departments shall review AUC's semi-annually in Q2 and again at Q4 to ensure all AUC are reflective of current, active projects.

Information Technology (“IT”) projects make up a significant portion of the General Tangible Capital Asset (TCA) activity. The following policies will assist in the determination of whether IT expenditures should be capitalized or expensed.

COST OF AN IT TANGIBLE CAPITAL ASSETS POLICY AND GUIDANCE

- The cost of an IT TCA must include the purchase price, or the fair value for donated TCAs, and any other acquisition costs such as installation, design and legal acquisitions fees that are specifically related to the purchase, such as freight charges transportation insurance and duties. If the TCA is a cloud computer system, please see guidance below.

The cost of a **major computer software application**, which is developed by government in-house, would normally include all directly attributed development costs to the major application such as:

- Salaries, benefits, and all other labour costs related to employees’ time that are directly spent on the system development project, any external consulting and service fees, and the cost of purchased software.

The cost of a **major computer application systems** which is developed by the government in-house would also include overhead development costs such as:

- Other direct labour costs, such as a supervisor’s time spent on the project, if a substantial portion (equal to 50% or more of the supervisor’s time for four or more consecutive months) of their time is dedicated to capital projects.
- Legal and professional fees associated with the development project.

Accommodations, utilities, and equipment rental costs directly associated with the project, carrying costs such as interest charges during development.

TCA CLASSES POLICY

The TCA classes applicable to IT TCAs are Classes 8–11.

Class 8 – Computer Hardware – Hosting Environment – Costs of equipment that are be considered a component of, is typically attached to, or communicates with an information system, including all servers, and the software necessary for the server to deliver its intended function, not including the application.

Class 9 – Computer Hardware – Personal Computers – Costs related to the purchase and installation of personal (PC) computers and LAN servers.

Class 10 – Computer – Major Application – Costs related to the purchase, development, modification, and installation of major computer software applications, including the capital portion of cloud-based applications. This also includes related one-time license charges (not annual charges – see “Licenses” below). Other costs, such as hardware costs associated with the purchase or development of a major computer software application will need to be identified and capitalized in their own class (refer to Class 8 and/or 9), based on that class definition and threshold.

Class 11 – Computer Software – Other – Costs for off-the-shelf software for personal computers and related upgrades and licenses (not annual charges – see “Licenses” below). Also includes local area network (LAN) and communication software.

PRACTICAL EXAMPLE OF MULTI – MODULE PROJECTS – (CLASS 10)

The following is an example for illustrative purposes to clarify how multi-module projects are analyzed for capitalization criteria:

Module #1, 2 & 3 are put in place in year 1, and Module #4 is put in place in year 3. The question is, should Module 4 be capitalized with the other modules?

Costing/Threshold

- If the original intent of the project included the purchase/development of Module #4, then Module #4 would be considered part of the original project. The total project cost (Modules #1– 4) would be used to determine if the project met the capitalization threshold/criteria. If the project is deemed to be capital, the individual module costs would not be required to meet the class threshold independently for the module to be capitalized. Documentation would have to exist to prove this intent, such as:
 - Proof that individual module costs were included as part of the total project costs in the original proposal (Treasury Board Submission), and were used to determine if the project met the class threshold;
 - Documented timeline of the project includes each module; and
 - An outline of when each module is expected to be implemented as part of the project.
- If the original intent did not include Module #4, then the costs for this module would have to independently meet the class threshold for it to be capitalized and have its own useful life.

Amortization

The costs of Module #4 (considered to be part of the original project but put in place at a later date) are to be recorded as a separate TCA with its own useful life, not to exceed that of the remaining life of the initial Modules, unless it is determined that the life of Module #4 will be greater than the remaining life of Modules #1-3 already in place.

SYSTEM DEVELOPMENT COSTS POLICY AND GUIDANCE

The acquisition or development of software will result in a TCA, irrespective of the place it resides i.e., residing on hardware on premises or located on cloud-based servers.

For the purposes of software development, software is generally divided into three different types:

- System software (for example: operating system (“O/S”).
- Programming software that helps developers in writing code.
- Application software (for example: Microsoft Office suite).

Theoretically, there are three stages in the development of a on premise software system:

Preliminary Project Stage: conceptual formulation of alternatives; evaluation of the alternatives; determination of existence of required technology; and final selection of alternatives.

Development costs incurred after the preliminary project stage, and which meet the \$100,000 threshold (Class 10) for total project costs will be capitalized. The costs directly attributable to the capitalized costs of a system project would typically be incurred **after** the following:

- Management's formal authorization of the system project.
- Funding is committed.
- Problem definition.
- Determination of high-level system performance requirements.

- Business case analysis.
- Conceptual formulation of alternatives, analysis of alternatives, and selection of the best alternative is finalized.

Costs relating to or incurred **before** the above (i.e., feasibility studies) are to be expensed.

Application Development Stage: development of internal use computer software – design of the chosen path; software configuration and software interfaces; coding; installation of software; and testing, including parallel processing phase. All external costs incurred in this phase should be capitalized.

Direct costs of materials and services used in obtaining or developing internal-use computer software is usually capitalized and include the following:

- Fees paid to third parties service providers for the development of the software during the application development stage.
- Costs incurred to obtain computer software from third parties.
- Any travel expenses incurred by individuals directly associated with developing the software.
- Salary costs for employees who are directly associated with the project.

Data is the information that is entered, manipulated, or treated and generated by hardware and software.

Data is generally not considered a TCA. Costs associated with data conversion should be expensed.

Post-Implementation/Operation Stage: includes maintenance and annual support. Activities include internal training (e.g., end-user training) and ongoing support and maintenance costs. All internal and external costs should be expensed at this stage of the project.

When software is included in the purchase price of hardware (for example: o/s software) and the cost of the software cannot be reliably calculated, the software should be capitalized and amortized as part of the hardware.

Please refer to [\(9F– 9.0\)](#) for further guidance and details on expenses that should be capitalized or expensed.

If the upgrade adds to the functionality of the old version (e.g., additional modules), then the old version and the new version would be amortized over the remaining useful life of the combine TCA. The upgrade could extend the life of the original software but should not exceed the maximum useful life of the TCA class or the estimated life of the upgrade.

CAPITALIZATION OF INTERST POLICY

Any carrying costs (interest costs) that are attributable directly to and incurred for an in-house systems development project where the projected costs exceed the minimum threshold value associated with the particular TCA class that they are related to and the period of development surpasses one year, should be capitalized as part of the cost of the TCA, until the asset or system is ready for productive use. Note that there is no interest capitalization for projects shorter than one year or with a total project value below \$10 million.

Capitalization of carrying costs ceases when no development is taking place or when a TCA is ready for productive use. A TCA is normally ready for productive use when the acquisition, construction or development is substantially complete. However, interest costs should continue to be capitalized as part of the TCA cost for those projects that require further work to complete the TCA, or to realize the full potential of the project. In this case, the additional interest to be capitalized applies only to the

additional costs incurred from the date of placing the asset into productive use, not the total cost of the project.

Interest costs to be capitalized should be calculated using the interest rate based on the average cost of borrowing determined by the Treasury Division during the annual estimates process.

Professional judgement should also be exercised in determining whether additional work of a capital nature being done on a long-term project is the completion of the original project, or a betterment. For example, a project that was originally planned to have a number of deliverables should be placed into service with only a portion of those deliverables in place and operable. These costs would be capitalized as a main TCA in the central financial and accounting system (SAP). Subsequent work done to complete the project should be treated with the completion of the original project and capitalized with the same TCA number. After completion of the project, subsequent improvements or additions made to the originally completed TCA would be considered to be potential betterments, or a component pending the satisfactory attainment of other relative criteria, such as TCA class minimum threshold values, etc., and should be accounted for as a sub-number to the main TCA.

Additional work identified as a betterment, or a component, would need to meet the minimum threshold for capitalization in the TCA class in order for there to be the capitalization of interest.

TREATMENT OF SOFTWARE LICENSES POLICY

Licenses – Policy

A one-time license charge for the life of the software intended for personal computers will be recorded in Class 11. A one-time license charge for the life of a major computer software application will be recorded in Class 10. If a license life is less than a year it does not meet the criteria for capitalization and should be expensed.

In situation where a department pays a one-time licensing fee to use the software and controls the software itself so that it is an TCA, the department is said to have acquired service potential or future economic benefits relating to that software. In this case, the license fee should be capitalized as part of the software. This is only the case where control over the software exists. The leasing standards PSG-2 should also be considered in the case of a license to use software for a period of time.

A licensing fee that is not one-time, or a licensing fee that is for software that is not controlled by the government (e.g., a yearly licensing fee which typically covers maintenance and upgrades automatically provided by the vendor) indicates that any service potential or future economic benefits obtained would normally expire when the next payment is due and should therefore be expensed.

CHANGES TO EXISTING SOFTWARE SUCH AS UPGRADES OR ENHANCEMENTS POLICY

Maintenance of software: The costs incurred in the maintenance of the service potential of a TCA should be expensed. Examples of maintenance of software include coding changes required for the software to remain current to meet user needs (such as bug fixes or maintenance to meet changes in legislative requirements) or changes required for systems to remain compatible. Maintenance costs are usually expensed as they do not enhance the software's service potential.

Upgrades and enhancements to original software: Upgrades and enhancements are defined as modifications to enable the existing software to perform tasks that increase the service potential of the software (i.e., new functionality or service output). Upgrades and enhancements will require a change to all or part of the existing software application. These costs may be considered betterments if they

meet the criteria for capitalization. If an upgrade or major enhancement replaces the functionality of the original version of the software, then the net carrying value of the latter should be expensed. When the capitalization criteria is met, write-down or write-off of software section below for further details.

When the capitalization criteria is met, the upgrade or enhancement would be amortized over the useful life of the TCA class.

Software enhancements should only be capitalized when the enhancement has a useful life of more than 1 year and it increases the service potential or useful life of the software.

ONGOING SYSTEMS PROJECTS: ENTERPRISE SYSTEMS (ERP) ONLY POLICY

For an Enterprise Systems (ERP) project TCA that is undergoing continuous dynamic change, the future objectives, or goals, described in terms of deliverables, should be assessed against the definition of what is considered a betterment. The results of this assessment will determine whether the related activity costs are to be capitalized or expensed. An estimate of the costs to be incurred may then be made, following the principles described in this section.

Because the initial implementation of an ERP project is considered to be one “TCA” for accounting purposes, all related project deliverables identified as capital in nature and implemented in the current year work should be grouped together as one “betterment” to determine if the minimum capitalization threshold has been met for accounting purposes. If the estimated costs of the “grouped” betterment meet or exceed the minimum capitalization threshold, they should be capitalized, but as separate TCAs. If such costs are below the threshold, they should be expensed.

POOLING OF IT EQUIPMENT POLICY AND GUIDANCE

For the purpose of determining if the capitalization threshold has been met, pooling of TCAs will only be allowed (with the approval from the OPC):

- As discussed above under “Ongoing Systems Projects: Enterprise Systems (ERP) Only”.
- When the use of each TCA is dependent on each other to operate (e.g., a security system that requires camera(s), monitor and possibly a recording device).

When a TCA threshold is met the whole TCA with all of its parts would be recorded. If pooling is used for the large purchase of homogenous TCA, (for example highway monitoring cameras) the pooled TCA could be recorded in one group. (i.e., 1,000 cameras) rather than individually.

WRITE-DOWN OF SOFTWARE POLICY

When a department incurs costs for computer software, but it becomes unlikely that the service potential or future economic benefits from this software will be realized, the department may not recognize this TCA. In case of software under development, if development of the software ceases and a product is not expected to be further developed in the near future, the costs that have been capitalized to date must be expensed immediately. Any computer software that does not deliver the expected future economic benefits or service potential, after use or testing, must be expensed.

If upgrade of the software replaces the functionality of the old version of that software, then the net carrying value of the old version should be expensed as it is no longer in use and has been replaced. The upgrade version should be amortized over its expected useful life.

If the upgrade adds to the functionality of the old version, there is no impairment to the original TCA.

CLOUD COMPUTING MODELS POLICY AND GUIDANCE

Cloud computing is the delivery of computing services – servers, storage, databases, networking, software, analytics and more – over the Internet (the cloud). Companies offering these computing services are called cloud providers and typically charge for cloud computing services based on usage, similar to how an individual is billed for gas or electricity at home.

The following are three of the more common types of cloud computing models (note as the industry evolves, other models may exist or emerge):

- Software as a service (SaaS)² – SaaS is a software distribution model where applications are purchased or hosted by a cloud service provider, and then made available for customers to use over the internet. This reduces the need to install and maintain the software on local computers.
- Platform as a service (PaaS)³ – PaaS is a platform model that provides a safe development, testing, and deployment environment for application developers. This service model is very flexible and allows you to scale deployments quickly. It can provide add-on features to aid in the application development and deployment processes.
- Infrastructure as a service (IaaS)² – In an IaaS model, users pay for cloud storage space on a consumption basis. Users are also responsible for accessing, monitoring, and managing their own data remotely stored on the infrastructures. IaaS Cloud Service Providers generally manage hardware, storage, and networking, as well as other services at an additional cost.

Cloud Computing Contract Review – Policy

Due to the complexity and variety of cloud computing arrangements that exist, it is difficult to determine whether a cloud computing arrangement would meet the definition of a TCA. It should not be assumed that these arrangements can be capitalized as in practice some of these arrangements will not meet the definition of an TCA under Public Sector Accounting Standards or other accounting frameworks.

To complicate the analysis, fees for cloud services may be bundled together with other services and presented as one fee quoted by the vendor. Therefore, is often unclear as to how the goods and services provided are allocated and attributed to the fee that is being quoted. Examples of services that are bundled together could include different products, services, upgrades, support and maintenance, plus internal and external consulting costs, and interest costs built into the contract.

Industry knowledge and professional judgment needs to be used to evaluate whether a cloud computing arrangement meets the definition of an TCA, and what components of the contract could be eligible for meeting the definition of a TCA. For example, a monthly fee contract may include upgrade rights, support, and maintenance services, which would need to be expensed.

The structure and terminology of cloud computing service offerings is often different across vendors and products. The contract and another key service agreement must be evaluated to assess how to account for these costs and whether a TCA should be recognized.

Due to the complexity of the offerings, the departments should seek advice from OPC, preferably prior to contracting with the cloud provider, to understand the appropriate accounting treatment.

Cloud Computing Contract Review – Guidance

Generally, cloud costs will be expensed if there is no control of the TCA within the arrangement. An example of control exists with the ability to run the software on the GoM's own machines without a significant cost to do so, in the scenario of the software provider exiting the arrangement. This is a complicated area of accounting for TCA and does require consultation with OPC depending on the individual contractual arrangements.

Implementation and Upfront Costs of a Cloud Computing Arrangement – Guidance

When the initial assessment of the contract is completed, and it is known that the cloud is a SaaS, the following table provides a summary of recommended treatment of the various implementation and upfront costs that entities will incur in a cloud computing contract. This table does not address all situations; therefore, exercising professional judgment and consultation with OPC is required.

<https://www.microsoft.com/en-ph/smb/azureforSMB/thecloud101>

<https://cyber.gc.ca/en/cloud-computing-types>

Implementation Activity	Capital	Expense
Up-front payments or liabilities incurred relating to software functionality enhancements.	X	
Existing hardware and software evaluation for compatibility with the software service.		X
Enhancement or modification customizations to the existing software that will be used on a continuous basis under the cloud computing arrangement.	X	
Simple configurations of software for use.		X
Testing for proper functionality of the software service.		X
Business process reengineering.		X
Employee training on the use of software service.		X
Costs related to data conversion, including: - Reconciling new data with the data extracted from the old system - Purging existing data; and - Creating or inputting new data.		X
Purchased data conversion software. (However, if only used for a single project, the useful life may be relatively short)	X	
Maintenance work to be performed by a third party.		X

Implementation Partner that is Separate from the Vendor – Guidance

In addition to the above, accounting for contracts with an implementation partner, that is different from the vendor, should be carefully evaluated to determine whether the costs should be expensed or capitalized, which is dependent on the types of services that are provided by the partner.

Amortization

The amortization of any resulting cloud capital TCA must be based on the lower of the:

- Expected useful life of the application, and
- Duration of the cloud computing contract.

It is essential that departmental reporting include reports on TCA. These reports are used for:

- Comparison of actual to budget.
- Providing information on the total investment in TCAs from year-to-year.
- Providing information on occupancy or use rates of these TCA's.
- Providing information for Public Accounts, where required, and to the Provincial Comptroller.

In addition to any internal reporting, departments must report on buildings and contents as required for insurance purposes. See the [General Manual of Administration](#), Section 5.8 – “Insurance and Risk Management”, and the [Risk Management Policy Manual](#).

In order to make additions or changes to a TCA record in the central financial and accounting system, the appropriate form must be used. The forms to add, make changes or settle a TCA have been approved by Central Finance and are to be maintained in the originating department for verification purposes. All of the forms that follow are available on the [TBS Intranet site](#).

The form descriptions required for each use are as follows:

1. Asset Master Record Request
 - This form is used to create a new TCA master record in the central financial and accounting system.
2. Asset Master Change Request
 - This form is used to make any required changes to an asset master record that already exists in the central financial and accounting system.
3. Asset Post-Capitalization Request
 - This form is used to capitalize TCAs that are "discovered" and relate to acquisitions made in prior years
4. Asset Transfer Request
 - This form is used to enable the transfer of a TCA from one business area (department) to another.

Note: Asset transfers require Treasury Board approval and are typically identified when annual estimates of expenditures are prepared. Asset transfers are needed due to mid-year re-organizations. For more information, refer to the [Re-organization Procedures Manual](#) or contact publicaccounts@gov.mb.ca.

5. Asset Retirement Request
 - This form is used when an TCA has been sold or disposed of without revenue.
6. Asset Valuation Adjustment Request
 - This form is used to record either a write-down or a write-up of a TCA.
7. Settlement of AUC (Asset Under Construction) Request
 - This form is used whenever an AUC is completed, and the costs need to be settled (transferred) to a finished asset

The following are the TCA class listings:

TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT- LINE)
A.	General Tangible Capital Assets		
1.	LAND Includes all land and Crown lands acquired (purchased or gifted since inception of becoming a Province). Categories: SAP Code Description INST Institutions HOUS Housing OFFC Office LABO Laboratory COUR Courts S&WA Storage & Warehouses PARK Parks, Picnic Sites, Rest Areas SPEC Special Purpose (e.g., Leg. Building) AGRI Agricultural NATR Natural Resources OTHE Other NOTES: 1. Includes those lands granted at inception of the Province, which now have a building constructed on the property. 2. The cost of land acquired as a single purchase (e.g., the purchase of a building and land for a single amount) is determined by allocating the total price paid for all of the TCAs acquired to each one on the basis of its relative fair value at the time of acquisition, or the value stipulated in the purchase agreement. 3. When, at the time of acquisition, a portion of the TCA is not intended for use, its costs and any costs of disposal, net of any	\$0	0%

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

** Standard amortization rates established by policy. In situations where a TCA's estimated useful life does not conform with policy, a case-by-case review must be initiated by the department owning the TCA. Any change is subject to the approval of the OPC.



TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT- LINE)
	estimated proceeds, are attributable to that portion of the acquired TCA. For example, the cost of acquired land that includes a building that will be demolished comprises the cost of the acquired property and the cost of demolishing the building. 4. Land excluded from this class includes land held for re-sale, Crown lands accrued by right (hinterlands), and Crown land granted/gifted by the Federal Government. 5. Crown land gifted from a Municipal Government is capitalized at its transfer value.		

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT- LINE)
2.	BUILDINGS – BRICKS, MORTAR, & STEEL Office complexes, fish hatcheries, green houses, forest lookout towers, garages, sheds and any other solid foundation structure. Categories: SAP Code Description INST Institutions HOUS Housing OFFC Office LABO Laboratory COUR Courts S&WA Storage & Warehouses PARK Parks, Picnic Sites, Rest Areas SPEC Special Purpose (e.g., Leg. Building) AGRI Agricultural NATR Natural Resources OTHE Other NOTES: 1. There is no residual value for this class. 2. The cost of buildings acquired as a single purchase (land and building for a single amount) is determined by allocating the total price paid to each TCA on the basis of its relative fair value at the time of acquisition or the value stipulated in the purchase agreement. 3. Betterments to this class are to be recorded separately as a sub-number to the main (original) TCA number.	\$100,000	40 years (2.5%)

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)																							
4.	VEHICLES All vehicles intended for transportation. Categories: <table><tr><td>SAP Code</td><td>Description</td></tr><tr><td>AUTO</td><td>Automobiles</td></tr><tr><td>TRUC</td><td>Trucks (under 1 ton) & Vans</td></tr><tr><td>BOAT</td><td>Boats & Personal watercraft</td></tr><tr><td>SNOW</td><td>Snowmobiles, Motorcycles, & ATVs</td></tr><tr><td>OTHE</td><td>Other</td></tr></table> NOTE: 1. Residual value not to exceed 10% of the acquisition cost.	SAP Code	Description	AUTO	Automobiles	TRUC	Trucks (under 1 ton) & Vans	BOAT	Boats & Personal watercraft	SNOW	Snowmobiles, Motorcycles, & ATVs	OTHE	Other	\$10,000	5 years (20%)											
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** Standard amortization rates established by policy. In situations where a TCA's estimated useful life does not conform with policy, a case-by-case review must be initiated by the department owning the TCA. Any change is subject to the approval of the OPC.

TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)																
6.	MACHINERY & EQUIPMENT All types of machinery or equipment (other than machinery and equipment used in road construction & maintenance – see asset class 7 below), used in the day-to-day operation of departments. Includes trucks over 1 ton. Categories: <table><tr><td>SAP Code</td><td>Description</td></tr><tr><td>AGRI</td><td>Agriculture</td></tr><tr><td>CO&M</td><td>Construction and Maintenance</td></tr><tr><td>FIRE</td><td>Fire Suppression</td></tr><tr><td>MEDI</td><td>Medical and Scientific</td></tr><tr><td>EDUC</td><td>Education</td></tr><tr><td>OFFC</td><td>Office</td></tr><tr><td>OTHE</td><td>Other</td></tr></table> NOTE: 1. Residual value not to exceed 10% of the acquisition cost.	SAP Code	Description	AGRI	Agriculture	CO&M	Construction and Maintenance	FIRE	Fire Suppression	MEDI	Medical and Scientific	EDUC	Education	OFFC	Office	OTHE	Other	\$10,000	Machinery & Equipment 10 years (10%) Survey/scientific equipment 5 years (20%)
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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
7.	ROAD CONSTRUCTION & MAINTENANCE All types of machinery or equipment used in the construction and maintenance of roads. Categories: SAP Code Description TRUC Truck GRAD Grader TRAC Tractor LOAD Loader OTHE Other NOTE: 1. Residual value not to exceed 10% of the acquisition cost.	\$10,000	15 years (6.67%)
8.	COMPUTER HARDWARE – HOSTING ENVIRONMENT All equipment that can be considered a component of, is typically attached to, or communicates with an information system. Includes all servers (including software necessary for the server to deliver its intended function, not including the application). NOTE: 1. There is no residual value for computer classes.	\$50,000	5 years (20%)

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
9.	COMPUTER HARDWARE – PERSONAL COMPUTERS Purchase and installation of personal (PC) computers and LAN servers. To be capitalized on a workstation approach (i.e., include all components acquired to create a PC workstation). NOTES: 1. Normally a workstation in this class would not meet the capitalization limit, therefore, not normally capitalized. 2. There is no residual value for computer classes.	\$10,000	4 years (25%)
10.	COMPUTER – MAJOR APPLICATION Includes costs to purchase, design, develop, modify and install a major computer software application. Includes off-the-shelf commercial software requiring major configuration and capital portion of cloud-based application. Includes all external (consultants) costs, internal (labour) costs and one-time license charges. NOTES: 1. Excludes regular maintenance costs, which are expensed in the year incurred. 2. Hardware purchases which are related to the development or operation of a major computer software application must be assessed and capitalized in the appropriate Computer Hardware class independent of the major application. 3. There is no residual value for computer classes.	\$100,000	15 years (6.67%)

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** Error! Reference source not found.

TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT- LINE)
11.	COMPUTER SOFTWARE – OTHER Includes off-the-shelf commercial software (that does not require major configuration) and one-time licenses intended for individual personal computers that have a useful life of over a year. NOTES: 1. Software associated with a personal computer would normally not meet the capitalization limit for Class 11. 2. There is no residual value for computer classes. 3. Major purchases of many like items could be eligible for pooling to meet the capitalization limit. Approval is required from OPC.	\$10,000	4 years (25%)
12.	FURNITURE Desks, chairs, tables, filing cabinets, etc. NOTE: 1. Assets normally would not meet the capitalization limit for this class, therefore normally not capitalized. 2. Major purchases of many like items could be eligible for pooling to meet the capitalization limit. Approval is required from OPC.	\$10,000	10 years (10%)
13.	LEASEHOLD IMPROVEMENTS Costs incurred to renovate, modify, or improve accommodations leased by the Province.	\$100,000	Over the lease term, and inclusive of renewals as defined by capital lease accounting

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT- LINE)
14.	ASSETS UNDER CONSTRUCTION ("AUC") Costs incurred to construct or modify a TCA, initially recorded within an internal order. Costs are transferred monthly to an AUC. Upon completion of the TCA, the final costs contained within the AUC are transferred to an asset master record established in one of the above TCA classes. Costs incurred to construct or modify an infrastructure TCA, initially recorded within an internal order. Costs are transferred monthly to an AUC. Upon completion of the infrastructure asset, the final costs contained within the AUC are transferred to an asset master record established in one of the above infrastructure TCA classes (Classes 20–32).	N/A	N/A

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
B.	Infrastructure TCAs		
20.	LAND Includes all land purchased or acquired for value including parks and recreation, highways, roads, airstrips, and other infrastructure programs but not held for resale. NOTES: 1. Land excluded from this class includes land held for resale, Crown lands accrued by right (hinterlands), and Crown land granted/gifted by the Federal Government. 2. Crown land granted/gifted from a Municipal Government is capitalized at its transfer value.	\$0	0%
21.	LAND IMPROVEMENTS – Infrastructure Includes all costs, excluding land and buildings (exceeding building capitalization limit) incurred in the development of land to facilitate various recreational and economic pursuits. This mainly includes parks development, parking lots and grazing reserve development. Land improvements include all costs incurred to bring the land into its intended use, which cannot be directly linked to a building, such as site surveying, architectural and engineering fees, clearing and grubbing, sculpting the land, building camp sites, removing or planting trees, paving, fencing, lighting, installing sewer lines, creating walking trails or sidewalks, etc. Grazing reserve development includes the cost of clearing bush and seeding grass.	\$100,000	30 years (3.33%)
22.	BUILDINGS (Infrastructure related) – BRICKS, MORTAR & STEEL Includes buildings and building upgrades associated with an infrastructure TCA such as buildings adjacent to or on highway infrastructure and land improvement infrastructure.	\$100,000	40 years (2.5%)

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23.	BUILDINGS (Infrastructure related) – WOOD FRAME Includes buildings and building upgrades associated with an infrastructure asset such as buildings adjacent to or on highways infrastructure and land improvement infrastructure.	\$100,000	25 years (4%)
	BUILDINGS – MINOR Garages or cold storage buildings that have a shorter service life	\$50,000	25 years (4%)
24.	TRAFFIC/LIGHTING FACILITIES Includes traffic and lighting facilities associated with infrastructure assets other than those considered in Land Improvements (TCA Class 21).	\$10,000	20 years (5%)

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT.*	AMORTIZATION RATE ** (STRAIGHT-LINE)
25.	BRIDGES & STRUCTURES – Apply to highway and water assets Bridges and structures of two or more meters which span and give passage over a waterway, deep valley, depression, or some other obstacle such as another transportation route. Some special bridges are defined according to function. An overpass allows one transportation route to cross over another without traffic interference between the two routes. A viaduct carries a railroad or highway over a land obstruction. This class included culverts (concrete and metal) that are two or more meters in diameter. Bridges include all direct costs of construction including labour, materials, survey costs, and project specific design costs (e.g., location, approaches, environmental assessment and design, inspection costs, tendering costs and tendering construction costs.). This class can be broken down to the following sub- category: Major Rehabilitation Minor Structures Major Structures	Major rehabilitation – \$100,000 Minor structures – \$100,000-\$250,000 Major structures – \$250,000	Major rehabilitation – 40 years (2.5%) Minor Structures – 60 years (1.67%) Major structures – 75 years (1.33%)
26.	EQUIPMENT Includes equipment related to infrastructure (i.e., weigh scales, portable weigh scale units, and permanent weigh scale facilities), with the exception of equipment associated with land improvements.	\$10,000	Portable weigh scale units – 20 years (5%) Other equipment – 15 years (6.67%)
27.	PROVINCIAL ROADWAYS & TRUNK HIGHWAYS – SURFACE Paving and concrete surfaces greater than 3 inches (75 mm) in thickness (does NOT include application of initial gravel on gravel roads.	\$100,000	Bituminous – 20 years (5%) Concrete – 25 years (4%)

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

** Standard amortization rates established by policy. In situations where a TCA's estimated useful life does not conform with policy, a case-by-case review must be initiated by the department owning the TCA. Any change is subject to the approval of the OPC.

TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT.*	AMORTIZATION RATE ** (STRAIGHT-LINE)
28.	PROVINCIAL ROADWAYS & TRUNK HIGHWAYS – GRADE Includes formation works, road structure, drainage works and culverts (under 2 meters in diameter). Grade cost includes the initial application of gravel on gravel roads. Future application of gravel surfacing will be considered an operating expense.	\$100,000	40 years (2.5%)
31.	AIRSTRIPS – GRADE Includes formation works, road structure, drainage works and culverts (under 2 meters in diameter). Grade cost includes the initial application of gravel on gravel roads. Future application of gravel surfacing will be considered an operating expense.	\$100,000	40 years (2.5%)

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
32.	DAMS/WATER STRUCTURES Includes dams, reservoirs, weirs, canals, dikes, ditches, diversions, cut offs, pumphouses and erosion protection devices. These can be classified in further categories: - Major dams/water structures – this is limited to dams, reservoirs, weirs, canals, etc. - Minor dams/water structures – Repairs of dams that are more wide-ranging than simple maintenance - Dikes/pump stations - Drain reconstruction and minor rehabilitation - Safety-Related Improvements to Water Control Infrastructure – Minor improvements that address a specific safety concern at water control sites such as dams and pump stations <i>NOTE: Before assignment of useful life is carried out, discussion/approval is required from OPC</i>	Major dams/water structure – \$100,000 Minor dam/water structures – \$50,000-\$100,000 Major dikes/pump stations – \$100,000 Minor dikes/pump stations – \$50,000 – \$100,000 Major drain reconstruction – \$100,000 Minor drain rehabilitation – \$50,000 – \$100,000 Safety-related improvements to water control infrastructure – \$10,000	Major dams/water structures 40 years (2.5%) – 100 years (1.0%) Minor dams/water structures – 10 years (10%) Major dikes/pump stations – 40 years (2.5%) Minor dikes/pump stations – 10 years (10%) Major drain reconstruction – 40 years (2.5%) Minor drain rehabilitation – 10 years (10%) Safety-related improvements to water control infrastructure – 10 years (10%)

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

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TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
33.	INFRASTRUCTURE ROADS – THIN OVERLAY Paving and concrete surfaces 3 inches (75 mm) or less in thickness (does NOT include application of initial gravel on gravel roads.	\$100,000	10 years (10%)
34.	MINOR BRIDGES AND STRUCTURES – Apply to highway and water TCAs Includes remediation/betterments for existing bridge TCAs that are fully amortized, however the service potential can be enhanced by applying new engineering/structural standards that improve the physical output and service capacity.	\$50,000	10 years (10%)
35.	SURFACE RESTORATION TREATMENTS Road surface treatment used to correct moderate wheel rutting, polishing or surface aggregate raveling on asphalt/cement pavement with stable substructure.	\$50,000	7 years (14.29%)
36.	CULVERT INSTALLATIONS Replacement of small timber bridges and culvert structures of less than 2.0 meters in diameter.	\$50,000	Steel – 40 years (2.5%) Concrete 75 years (1.33%)

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

** Standard amortization rates established by policy. In situations where a TCA's estimated useful life does not conform with policy, a case-by-case review must be initiated by the department owning the TCA. Any change is subject to the approval of the OPC.

TCA CLASS	TCA DESCRIPTION	CAPITALIZATION LIMIT*	AMORTIZATION RATE** (STRAIGHT-LINE)
37.	TRANSPORTATION INFRASTRUCTURE Includes transportation appurtenances, such as: - Fencing/security system - Overhead Sign Structures - Guardrail and Hazard Protection	Fencing/security system – \$10,000	Fencing/security system 20 years (5%)
		Overhead sign Structures – \$50,000	Overhead sign Structures 20 years (5%)
		Guardrail and hazard protection – \$10,000	Guardrail and hazard protection 7 years (14.29%)
44.	ASSETS UNDER CONSTRUCTION (AUC) Costs incurred to construct or modify an infrastructure asset, initially recorded within an internal order. Costs are transferred monthly to an AUC. Upon completion of the infrastructure asset, the final costs contained within the AUC are transferred to an asset master record established in one of the above infrastructure asset classes (Classes 20 –32).	N/A	N/A

Per PSAS 3150.08, Works of art and historical treasures are property that has cultural, aesthetic or historical value that is worth preserving perpetually. Works of art and historical treasures would not be recognized as TCAs in government financial statements because a reasonable estimate of the future benefits associated with such property cannot be made. Nevertheless, the existence of such property must be disclosed (in accordance with PS 3150.42(e)).

* If the actual cost of an item or project that has been budgeted as a capital item is below that particular TCA class's capitalization limit, the acquisition can still be capitalized as a TCA within reasonable limits, subject to the approval of the OPC.

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Practical Application for Betterments – Guidance

Scenario 1

A Class 2 building has estimated useful life of 40 years at acquisition. Ten years after acquisition, the remaining useful life is 30 years. A betterment initiative was completed that increased the useful life of the building by an additional 20 years. The new useful life of the building is now 50 years (30 years plus 20 years). However, maximum amortization period for Class 2 Buildings is 40 years; therefore, the revised amortization period is 40 years, not 50 years (consistent with the limitation of the original classification).

Scenario 2

A department spends \$11,000 to replace the engine of a half-ton truck after 6 years. The truck originally was to last 10 years in total and will last for another 4 years. The replacement of the engine will only last for 4 years so it does not enhance the truck's service potential or extend its useful life, therefore the cost should be expensed.

Scenario 3

A department spends \$15,000 to change a half-ton box to a full-ton box after 6 years. The truck will last another 4 years. This change of the capacity of the TCA adds service potential to the truck, therefore the cost should be capitalized.

Scenario 4

A small shed that initially cost \$23,000 is damaged by fire and the department decides to repair it. The costs to restore the shed to its original condition is \$5,000. The restoration is fixing the shed to its original functionality. Therefore, the cost should be expensed.

General Principles

Insurance proceeds from loss or damage to tangible capital assets (TCA) will be recorded as proceeds of disposition/disposal (Cash or Accounts Receivable) and will form part of the gain/loss calculation on disposal of the TCA. The difference between the insurance proceeds and the net book value of the TCA is treated as a gain or loss on disposal.

Losses resulting from insufficient insurance or self insurance will be charged against the operating appropriation (Part A) of the specific program area owning the asset (i.e., the cost centre used to record the monthly amortization for the asset). Following Treasury Board Secretariat (TBS) approval, funds from Emergency Expenditures (Part A, Appropriation 27.1) may be transferred to the department's related operating appropriation to provide budgetary funds equal to the loss. Gains will be recorded as general revenue and will not be netted against the departmental expense account.

The development or purchase of replacement assets will be funded from departmental Part B appropriations or, upon receiving TBS approval, funds from Part B Emergency Appropriation (Enabling Appropriation) would be transferred to the departmental Part B appropriation to cover a portion or all of the asset purchased. Where a shortfall exists, departments will have to fund the shortfall from existing departmental Part B appropriations or they will have to request supplemental Part B funding from TBS.

Funding Sources

Part A (Funding for expenditures considered to be operating in nature):

- Amortization and interest (departmental amortization and interest appropriation),
- Expenditures that do not meet the TCA definition and thresholds (program appropriation),
- Loss due to write-down of an asset (program appropriation and possibly Appropriation 27.1 with TBS approval).

Part B (Funding for expenditures considered to be capital in nature):

- If it meets TCA definition and class thresholds – departmental Part B or Part B Emergency Appropriation (Enabling Appropriation) (with TBS approval).

Examples

The following examples provide a limited number of scenarios that may be encountered when an asset is destroyed and replaced with or without the assistance of insurance proceeds. When replacing a portion of an asset that has been damaged/destroyed, it must be determined if the expenditures meet the definition of betterment (Part B) or a repair (Part A).

It is advised that the accounting and funding be reviewed on a case by case basis, once the actual data is known for each situation.

Example 1 - Insurance received in year expenditures incurred**Insurance Claim:**

Original asset cost \$100,000

Original asset NBV \$ 20,000

Replacement - New asset – Ins. Proceeds \$400,000

Original asset recorded as a TCA.

New asset to be recorded as a TCA (Funded from Part B).

A. Insurance Proceeds = Replacement Cost \$400,000

1. To write-off the old asset and record receipts of insurance proceeds:

Dr Clearing - revenue from asset sale	\$400,000	
Dr Accumulated amortization	\$ 80,000	
Cr Asset		\$100,000
Cr Gain		\$380,000 (general revenue)

If a loss resulted from insufficient insurance or self insurance, it will be charged against the operating appropriation (Part A) of the specific program area owning the asset (i.e., the cost center receiving monthly amortization for that asset). Upon TBS approval, funds from emergency expenditures Part A appropriation 27.1 may be transferred to the department's related operating appropriation to provide budgetary funds equal to the loss.

2. Upon receipt of payment, the clearing account should be cleared via:

Dr Bank General Account	\$400,000	
Cr Clearing – revenue from asset sale		\$400,000

3. Record expenditure for the asset:

Dr Asset	\$400,000	(Part B)
Cr Accounts payable/Cash		\$400,000

The Department would have to fund future amortization and interest of new asset from Part A. The asset will be amortized over the useful life associated with the asset class.

B. No Insurance Proceeds – Self Insured

1. To write off the old asset::

Dr Accumulated amortization	\$80,000	
Dr Loss on removal of asset	\$20,000	(Part A, possibly 27.1)
Cr Asset		\$100,000

2. Record expenditure for the asset:

Dr Asset	\$400,000	(Part B)
Cr Accounts payable/Cash		\$400,000



The loss is funded from Part A
Payment of TCA is funded from Part B.
Amortization and interest on replacement asset is funded from Part A.

If the original asset was considered an operating expense and the replacement asset considered a TCA:

Original asset recorded as an operating expense – no asset to remove.
Replacement asset to be recorded as a TCA (funded from Part B).
Insurance proceeds would be recorded as general revenue

1. Record Receipt of Insurance Proceeds:

Dr Bank General Account	\$400,000	
Cr Insurance proceeds (general revenue)		\$400,000

2. Record expenditure for the asset:

Dr Asset	\$400,000	(Part B)
Cr Accounts Payable/Cash		\$400,000

Payment of TCA is funded from Part B.
Amortization and interest on replacement asset is funded from Part A.

Example 2 - Insurance proceeds are received in a different year than when costs are incurred to replace the asset.

- If asset replacement costs are incurred in year 1 and year 2, but insurance is received in year 2.
- If all replacement costs are incurred in year 1 and insurance proceeds are received in year 2.

Accounting will be the same as in Example 1 above – “Insurance received in year expenditures incurred”, with the exception that a receivable will be established for the expected insurance proceeds.

Example 3 - Non TCA expenditures

The original asset is recorded as operating expenditure (Part A).
The new asset is to be recorded as operating expenditure (Part A).

If the original expenditure was recorded as an operating expense and the replacement expenditures were also considered to be an operating expense, the insurance proceeds can be used directly for the replacement. A clearing account is allowed to be used to record the receipt of funds from the insurance company and for payment of the replacement expenditures incurred. The qualification is that the receipt and the disbursement must take place in the **same fiscal year**.

This report is prepared by the Responsibility Centre Manager or other authorized officer, and should contain the following information:

Field	Name	Information
1	Contract Number	the number, if any, assigned to the contract by the department
2	Start Date	the date on which the contract, etc., becomes effective
3	Completion Date	the date on which the contract, etc., is to be fulfilled
4	Appropriation Number	the appropriation number to which expenditures will be charged
5	Trust Account Number	the Trust Account number to which the holdback will be deposited
6	Contractor	the name of the organization, company or person to whom payments will be issued
7	Description	a brief description of the nature of the contract, agreement, etc.
8	Date	the date on which the payment was entered into the central financial system, or the date on which the funds were authorized or the value changed
9	Authority	a reference to the authorization for the original value of the contract, etc., and for any changes (e.g., Order-in-Council number, Treasury Board Minute)
10	Changes Current	the current fiscal year portion of any change to the contract cost
11	Changes Future	the future year(s) portion of any changes to the contract cost
12	Amount Authorized Total to Date	the dollar value of the contract, plus or minus the amount of a change (fields 10 and 11 added to the previous total) NOTE: If no value changes to the original contract have been made, this field will show the original value.
13	SAP Document Number	the document number of the transaction entered for payment to or on behalf of the contractor
14	Paid to Contractor	the amount of the payment issued to or on behalf of the contractor
15	Paid to Trust Account	the amount, if any, by which the payment to the contractor has been reduced, i.e., the holdback

Field	Name	Information

NOTE: Amounts are held back from the contractor until all the contracted goods and/or services have been completely and satisfactorily supplied or performed.

16	Total Paid Fiscal Year	the total charged to the appropriation this fiscal year (i.e., the amount of the payment (fields 14 and 15) plus the amount previously paid)

17	Total Paid to Date	the total of all amounts charged to date on this contract/agreement

18	Balance Committed	the unpaid balance of the contract, i.e., field 12 minus field 17

19	Current Fiscal Year Commitment	the amount of the Balance Committed that is authorized for payment in the current fiscal year

NOTE: This is determined at the beginning of the fiscal year on all contracts, etc., carried forward and adjusted as changes in authorization (field 10) or payments (fields 14 and 15) are processed.

20	Future Year(s) Commitment	the amount of the Balance Committed that is authorized for payment in a future year(s)

NOTE: This is determined at the beginning of the fiscal year on all contracts, etc., carried forward and adjusted as changes in authorization (field 11) are processed.



BACKGROUND

Section PS 3280, Asset Retirement Obligations, was issued by the Public Sector Accounting Standards Board ("PSAB") which came into effect on April 1, 2022.

This section establishes standards on how to account for and report an organization's asset retirement obligations ("ARO"). The section establishes which standards would be included for the retirement of a tangible capital asset ("TCA"), it identifies when to recognize and how to measure a liability for an ARO and, it provides guidance on related financial statement and disclosure requirements.

The Province of Manitoba ("Province") adopted the PS 3280 effective April 1, 2022. All departments ("departments") and other reporting entities ("ORE") are required to comply with PS 3280 and are subject to audit by the entities' auditors and the Office of the Auditor General in accordance with the standard.

ACCOUNTING POLICY – FOUR STEP APPROACH

There are four distinct steps with respect to accounting for ARO:

Step 1 – Scoping and identification	Identify all AROs arising from a legal obligation
Step 2 – Recognition criteria	For each ARO in scope, determine if it meets the recognition criteria in PS 3280
Step 3 – Measurement	For each ARO that meets the recognition criteria, determine an approximate estimate of the TCA and liability
Step 4 – Presentation and disclosures	Present and disclose the AROs TCA and liability according to the disclosure criteria in PS 3280

STEP 1 – SCOPING AND IDENTIFICATION

An ARO is a legal obligation associated with the retirement of a TCA. A legal obligation can result from the following:

- Legislation of own/another government (e.g., bylaws, provincial/federal regulations);
- Agreements or contracts;
- Promissory estoppel; and
- Licenses.

A legal obligation does not result from:

- Improper use of a TCA;
- Preparation of a TCA for an alternative use;
- An unexpected event, such as a contamination;
- Waste or by-products by a TCA;
- Plans to sell or dispose of a TCA;
- The cost of maintenance and operating a TCA;
- The cost of bringing a building up to code; and
- The cost related to the remediation of a contaminated site.

1.1 Legislation of own/another government

Federal or provincial governments can enact laws that can result in a legally enforceable obligation. The date of the obligation is the first instance of the law requiring giving rise to the obligation. Legislation can change over time with new obligations arising. Legislation must be assessed on a periodic basis to ensure the most applicable legislation is being used.

1.2 Agreements or contracts (such as leases)

Considerations must be made regarding whether an ARO exists within a lease (leased capital TCA or TCA on leased land). For example, an ARO may exist when there is a requirement within a lease to remediate a TCA back to its original state, or to remove any TCAs built on land.

Precedent may exist where the lessee is usually not required to remediate the leased TCA or land when the lease ends. However, in this case, departments would still be required to recognize the ARO because of the existence of an enforceable legal liability in the lease agreement.

1.3 Promissory estoppel

A legally enforceable obligation can arise from promissory estoppel. PS 3280.08(f) defines promissory estoppel as *“the principle that a promise made without consideration may nonetheless be enforced to prevent injustice if the promisor should have reasonably expected the promisee to rely on the promise and the promisee did actually rely on the promise to his or her detriment”*.

Therefore, departments are responsible to review promissory estoppel with regards to ARO.

1.4 Fully amortized TCAs - still in productive use

To correctly account for ARO, TCAs that are still in productive use, that are fully amortized in the accounting records, also need to be assessed for an ARO. Since the TCA is fully amortized, a new estimate of what the future date of remediation or retirement of the TCA is required. Refer to [9G-3.0 Measurement](#).

1.5 Unrecorded TCAs

The standard discusses the need to assess ARO for TCAs that may not be recorded in the accounts of the entity. These may or may not be in productive use. Refer to [9G-3.0 Measurement](#).

1.6 TCAs no longer in productive use

TCAs no longer in productive use need to also be identified to determine whether an ARO exists with the associated TCAs. For example, a building maybe abandoned but still require a significant asbestos remediation. Refer to [9G-3.0 Measurement](#).



STEP 2 – RECOGNITION CRITERIA

PS 3280.09 indicates the following four conditions must all be present to recognize an ARO (liability):

- There is a legal obligation to incur retirement costs in relation to a TCA;
- The past transaction or event giving rise to the liability has occurred;
- It is expected that future economic benefits will be given up; and
- A reasonable estimate can be made

2.1 Recognition of costs

Once satisfied the recognition and allocation of costs would be considered based on the standard as follows:

.24 Upon initial recognition of a liability for an asset retirement obligation, a public sector entity should recognize an asset retirement cost by increasing the carrying amount of the related tangible capital asset (or a component thereof) by the same amount as the liability.

.25 The public sector entity should allocate the asset retirement cost to expense in a rational and systematic manner over the useful life of the tangible capital asset (or a component thereof)

.26 Asset retirement costs are necessary and an integral part of owning and operating the related tangible capital asset. These costs, as defined in TANGIBLE CAPITAL ASSETS, Section PS 3150, increase the carrying amount of the related tangible capital asset (or a component thereof).

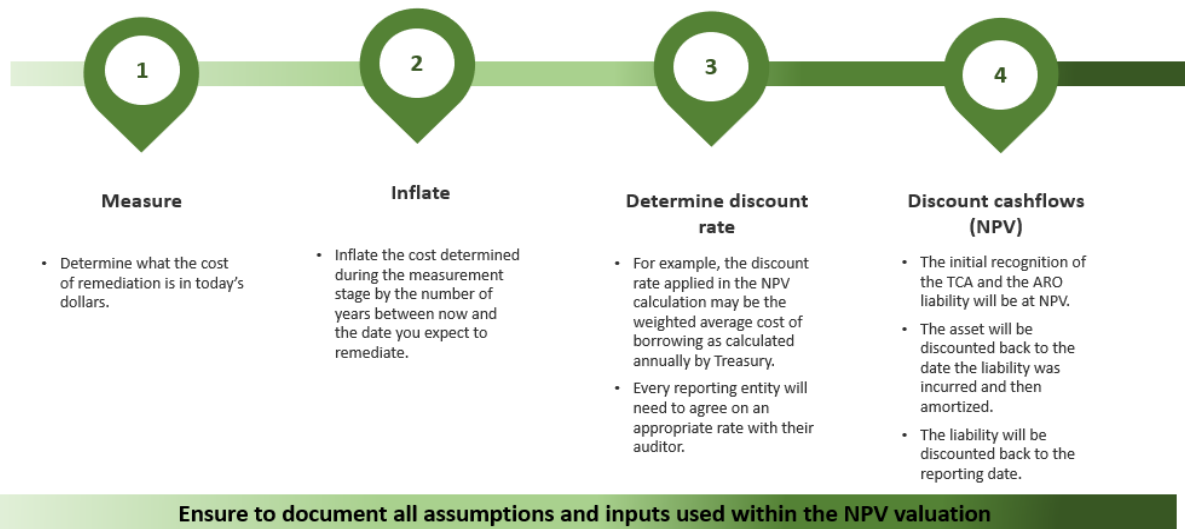
STEP 3 – MEASUREMENT

Initial measurement

.33 The estimate of a liability should include costs directly attributable to asset retirement activities. Costs would include post-retirement operation, maintenance and monitoring that are an integral part of the retirement of the tangible capital asset. The estimate would include costs of tangible capital assets acquired as part of asset retirement activities to the extent those assets have no alternative use.

Once an ARO has been identified, departments are required to perform the steps identified in the illustration below for the initial measurement.

Steps in measurement



3.1 Inflation

Inflation is the general increase in prices of goods and services over time. The existence of inflation means that the cost of an obligation today will not be the same as the cost of that same obligation in the future when it is settled.

PS 3280.47

.47 A key input into a present value technique, such as a discounted cash flow calculation, is the discount rate. A discount rate reflects the time value of money and the risks specific to the liability for asset retirement obligations, for which future cash flow estimates have not been adjusted. The assumptions applied in the cash flows and the discount rate should be internally consistent. For example, if the cash flows include the effect of inflation, then the discount rate also incorporates the same inflation assumptions.

If an ARO is estimated based on current or historic prices to remediate, and the remediation is not expected to occur until a future period, department must calculate inflation in the cash flow assumption to the date of incurring the ARO. For consistency purposes, departments need to use a nominal discount rate for discounting as the nominal discount rate would incorporate inflation in the calculation.

The inflation rate is supportable with the Bank of Canada long term inflation rates and is communicated by the OPC in the year-end Financial Administration Information Circular (FAIC) to all departments.

3.2 Net Present Value (“NPV”)

PS 3280.46: *When the cash flows required to settle or otherwise extinguish a liability are expected to occur over extended future periods, a present value technique is often the best available technique with which to estimate the measure of a liability.*

The discounted cashflow NPV method is used to measure the present value of the expected future cash outflows to settle AROs. Thus, the initial recognition of the TCA (ARO) and the liability (ARO) need to be at NPV.

The TCA is discounted back to the date the liability was first incurred (i.e., the later of the date of purchase or the date of legislation coming into effect).

The liability is discounted back to the reporting date. The accretion expense represents the increase in liability every year with the unwinding of the discount as a result of the passage of time. Therefore, the accretion expense will be recognized at each reporting period.

Departments are required to estimate the date of the future cashflows and use the Treasury rate as the discount rate in NPV calculations. The Treasury rate is the weighted average cost of borrowing calculated annually and is consistent with the discount rate applied for unfunded pension plans, employee future benefits, and contaminated sites.

3.3 AROs – unique circumstances

The following sections illustrate the initial measurement for AROs under unique circumstances:

1. AROs in fully amortized TCAs;
2. AROs in unrecorded TCAs; and
3. AROs for TCAs no longer in productive use.

3.4 AROs in fully amortized TCAs in productive use

A department may have TCAs that are fully amortized but are still in productive use.

PS 3280.30: *An asset retirement obligation may exist in connection with a fully amortized tangible capital asset that is still in productive use. For example, a public sector entity may control a fully amortized school containing asbestos. Although the tangible capital asset is fully amortized, its cost basis exists and the liability for an asset retirement obligation related to the initial acquisition, construction or development of the tangible capital asset would increase the cost basis of that asset. The costs would be amortized over the revised estimate of the remaining useful life.*

TCAs that are still in productive use, but are fully amortized, require the TCA base to be increased by the ARO and amortized. Departments are required to re-assess the estimated date of the incurrence of the retirement expense and amortize the increased cost base over the remainder of the estimated time period to retire or remediate the TCA. The increase to the TCA's cost base as a result of recognizing the cost of an ARO is accounted for as a sub-asset of the existing TCA in the current system.

A summary of the required steps are as follows:

1. Re-assess the estimated remaining useful life of the TCA to understand when the ARO is estimated to be incurred;
2. The AROs associated with these TCAs increases to the cost base of the original TCA; and
3. Using the new estimated date of when the retirement expense will occur, amortize the increased cost base over the remainder of the estimated time period to retire or remediate the TCA.

3.5 AROs in unrecorded TCAs

PS 3280.31: *An asset retirement obligation may arise in connection with a tangible capital asset that is not recognized. In this case, the asset retirement cost would be expensed as there is no cost basis of the underlying asset to which the asset retirement costs can be attached. This is consistent with the principle that asset retirement costs are not a separate asset because there is no specific and separate future economic benefit that results from them.*

Departments need to recognize the liability and expense the ARO cost for all TCAs not recorded in the accounting records. This is done on the basis that there is no cost value of the underlying TCA to which the asset retirement costs can be attached. Note, the determination of whether the TCA is still in productive use is not relevant in this assessment.

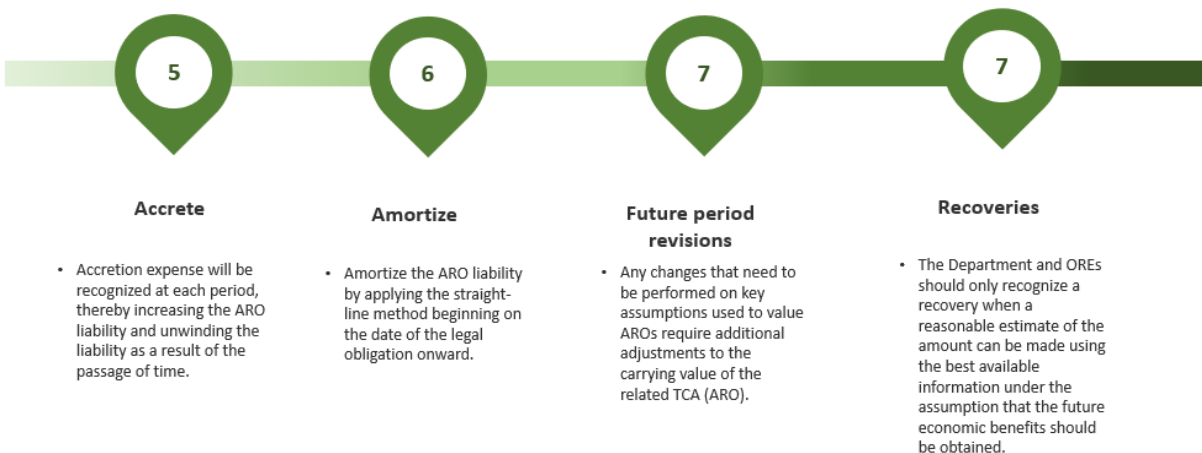
3.6 AROs for TCAs no longer in productive use

PS 3280.32: *An asset retirement obligation may arise for a tangible capital asset no longer in productive use. For example, a new legislation created after the tangible asset has been removed from service may now require its disposal in a prescribed manner and specific post-retirement activities. Given that there is no longer any period of future benefit associated with the asset retirement costs, these costs would be expensed.*

Departments need to expense any ARO costs for TCAs that are no longer in productive use. This is based on the fact that there is no longer a future benefit associated with the ARO costs.

Subsequent Measurement

Steps in measurement



Ensure to document all assumptions and inputs used within the NPV valuation

3.7 Accretion

PS 3280.48:

.48 The passage of time also affects the measurement of asset retirement obligations. As the liability for an asset retirement obligation approaches its settlement date, the liability balance increases as the discounting of the future cash flows decreases. This is often referred to as the unwinding of the discount or accretion

Departments are required to accrete the liability based on the nominal discount rate. The accretion expense will be recognized at each period, thereby increasing the ARO liability and unwinding the liability as a result of the passage of time.

3.8 Amortization method

Departments recognize amortization of the ARO in the TCA on a straight-line basis beginning on the date of the legal obligation onward. The amortization method is in line with the associated TCA as prescribed by the [TCA policy](#). Additionally, the amortization method recognizes the half-year rule which dictates that regardless of the time of year the TCA was purchased on or disposed of, only half of the annual rate of amortization will be recognized, please reference [TCA policy](#). Departments recognize the amortization expense and accumulated amortization on a yearly basis based on the estimated useful life of the associated TCA (ARO).

3.9 Future period revisions

PS 3280.53 and 0.54:

.53 In periods subsequent to initial measurement, a public sector entity should recognize period-to-period changes in a liability resulting from:

- a. *revisions to either the timing, the amount of the original estimate of undiscounted cash flows or the discount rate, as part of the cost of 'the related tangible capital asset; and*
- b. *the passage of time as an accretion expense.*

.54 The revised carrying amount of the related tangible capital asset (or a component thereof) should be amortized in a rational and systematic manner on a go-forward basis.

All ARO estimates are required to be reviewed on an annual basis. Any changes that need to be performed on key assumptions used to value AROs require additional adjustments to the carrying value of the related TCA (ARO). However, an increase to the ARO liability resulting from accretion and the passage of time is not considered to be a revision of an estimate and therefore does not result in an increase to the related TCA.

The table below outlines the steps required regarding any subsequent changes made to the liability (ARO):

Changes arising from:	TCA still in productive use:	TCA no longer in productive use:
1. Timing;	Add the revisions to the liability and the cost base of the underlying TCA and amortize the TCA in a rational and systematic manner, continue to accrete the liability.	Add the revisions to the liability and recognize the change as an expense I the period incurred.
2. Amount of original estimate of undiscounted cash flows;		
3. Discount rate; and		
4. Passage of time	Unwind the discount which would	Unwind the discount which would

	increase the liability and recognize the increase as an accretion expense in the period. Decrease the TCA net book value through amortization.	increase the liability and recognize the increase as an accretion expense in the period.

3.10 Recoveries

PS 3280.60: *A recovery related to asset retirement obligation should be recognized when:*

1. *the recovery can be appropriately measured;*
2. *a reasonable estimate of the amount can be made; and*
3. *it is expected that future economic benefits will be obtained.*

A recovery should not be netted against the liability.

Departments must only recognize a recovery when a reasonable estimate of the amount can be made using the best available information under the assumption that the future economic benefits will be obtained. Any recoveries must be presented separately from the ARO liabilities and must not be netted against the liabilities.

3.11 Settlement

When TCAs are remediated and AROs are settled, the ARO liability must be removed. Any difference between the cash flow incurred to settle the ARO and the value of the liability on that date should be recognized as a gain or expense in the period.

Often, the ARO on TCA will be remediated at the end of the TCA's useful life. In this case, the underlying TCA, the ARO sub-asset and any accumulated amortization will also be removed.

In the case of the ARO remediation, or partial ARO remediation, occurring prior to the end of the TCA's useful life, no adjustment is made to the TCA or the ARO sub-asset. The ARO sub-asset continues to be amortized over the remaining useful life of the underlying TCA. This is consistent with the concept that the capitalized ARO forms part of the cost base of the original underlying TCA.

STEP 4 – PRESENTATION AND DISCLOSURES

4.1 Disclosures

To help users of the financial statement understand the liability of the ARO the following disclosures must be included in the notes as outlined by PS 3280.63:

- a. *A general description of the liability for an ARO and the associated TCA (or a component thereof)*
- b. *The amortization method used for the asset retirement costs*
- c. *The basis for the estimate of the liability, including the estimated total undiscounted expenditures*
- d. *The time period over which the undiscounted expenditures are to be incurred, the estimated timing of settlement of these expenditures and the discount rate used*
- e. *A reconciliation of the beginning and ending aggregate carrying amount of the liability showing separately the changes attributable to:*
 - *The liability incurred in the current period*
 - *The liability settled*
 - *The change resulting from the passage of time (i.e., accretion expense)*
 - *Revisions in estimated cashflows*
- f. *How many requirements for financial assurance and funding associated with ARO, if legally required, are being met*
- g. *When a reasonable estimate of the amount of an ARO cannot be made, the fact and reasons thereof*
- h. *The estimated recoveries*

ARO GUIDANCE

The below sections provide guidance on key areas that were discussed above within the ARO policy. It provides comprehensive and practical examples, as well as key considerations that users of the ARO policy should keep in mind as they identify, measure, and record AROs.

Note that the examples provided below have been created based on the examples given in PS 3280. Although it is the Government of Manitoba's policy to apply and recognize the half-year amortization rule in the year of acquisition and disposal, in order to be consistent with the numerical examples presented in PS 3280, the below examples assume a full year of amortization in the year of acquisition and disposal.

Scoping and identification guidance

To identify all potential AROs, it is important to assemble a team of knowledgeable people with a background in finance and operations. As well, it is equally important to consult with the Legal Services to determine whether there is a legally enforceable obligation that would establish a liability. New laws can be enacted that cause a new ARO, so the legal team needs to be made aware of these accounting requirements.

PS 3280.08(b) illustrates the following examples of retirement activities that can give rise to an ARO:

- Decommissioning or dismantling a TCA that was acquired, constructed or developed;
- Remediation of contamination of a TCA created by its normal use;
- Post-retirement activities such as monitoring; and
- Constructing other TCAs to perform post-retirement activities.

Common examples of AROs

Below are common examples of AROs. Noting that new legislations enacted in the future could require new AROs. Note that the examples below may be included in more than one category such as asbestos falling under hazardous materials as well as buildings: In these cases, all obligations need to be measured.

- Buildings/asbestos – floor tiles, drywall, ceiling tiles, plaster, breaches, tar on duct work, insulation, exterior sheeting, roofing materials, floor tiles, and elbows.
- Leases – leasehold improvements remediation. These may not be authorized through provincial/federal legislation but may be mandated to remove TCAs upon termination of a lease. Leases with AROs will likely occur from operating leases.
- Equipment – disposal of refrigeration equipment, blood pressure machines, gamma knife, MRI, nuclear medicine equipment, ionizing radiation equipment, laser systems, xenon bulbs, and oxygen cells.
- Hazardous materials – lead paint on walls and frames, PCBs, PCB ballasts, lead batteries, lead panels, lead flashing, CFCs, and freon 22.
- Other TCAs – Air conditioning units, decommissioning sewage lagoons, wastewater holding tanks and disposal fields. Refer to the *Scope of Applicability for ARO Decision Tree* in appendix A to determine whether an obligation

Legislation of own/another government giving rise to an ARO - guidance

Departments should consider whether there are particular laws that are legally binding, thereby resulting in a legally enforceable obligation. This may require support from legal experts.

The following example of legislation for asbestos was chosen, as asbestos ARO is significant to the Province.

Other legislations must also be reviewed for ARO.

Example of identifying legislation

The provincial legislation *Workplace Health and Safety Regulation (217/2006)* creates a legally enforceable obligation that requires the safe abatement or removal of asbestos. A building with asbestos is owned by the department. This building does not contain federal employees, so the following legislation is applicable:

"The 2006 provincial legislation created a legal obligation for the identified ARO because of the requirement to remediate asbestos in buildings that are not in connection with the operations of federal work."

Agreements or contracts (such as leases) guidance

Departments need to exercise the following steps with regard to leases:

1. Identify and compile a list of all TCAs that are leased. Pay particular attention to land leases.
2. From this listing, perform a sample of legal reviews of the leases to determine whether there are asset retirement obligations noted at the end of the sampled leases. These would include the requirement to remove TCAs or leasehold improvements and/or to dispose of an TCA in accordance with the agreement.
3. For leases with ARO, estimate and account for an ARO.

Promissory estoppel guidance

A legal obligation, thereby giving rise to a liability, can result from a promise conveyed to a third party that imposes a reasonable expectation of performance upon the promisor under the doctrine of promissory estoppel. The below depicts an example of a situation that would give rise to a promissory estoppel:

Example of Promissory Estoppel

A political figure who stands in a podium makes a public proclamation to clean up a landfill site. This statement may give rise to a promissory estoppel based on the public proclamation (promise) that the political figure made to the public.

A lawyer should be consulted to conclude on the legality aspects of the proclamation and whether it gives rise to a promissory estoppel.

Recognition criteria guidance

The following is practical example of how to determine whether a situation gives rise to an ARO under the recognition criteria within PS 3280.09:

Example of applying the recognition criteria

Case facts:

The Province owns a building with asbestos. It will cost \$1,000,000 in today's dollars to remediate the TCA in 10 years based on recent remediation jobs of similar TCAs.

Analysis:

- There is a legal obligation to incur retirement costs in relation to a TCA
There is a legal obligation based on the Workplace Health and Safety Regulation (217/2006) provincial legislation that requires the remediation or abatement of asbestos. Criteria – MET.
- The past transaction or event giving rise to the liability has occurred;
The asbestos identified in the building has already occurred, therefore giving rise to a liability. Criteria – MET.
- It is expected that future economic benefits will be given up; and
It is expected that \$1,000,000 will be given up in 10 years to remediate the TCA. Criteria – MET.
- A reasonable estimate can be made
The estimate of \$1,000,000 was based on recent remediation jobs of similar TCAs, thereby ensuring the \$1,000,000 is a reasonable estimate. Criteria – MET.

Based on the analysis above, the building with asbestos meets the recognition criteria of PS 3280.09 and must therefore be recognized as an ARO.

Inflation guidance

The below is an example of an inflation calculation for an ARO estimated at current remediation cost:

Example of inflation with an estimated ARO:

Projection of inflation rate = 2%

In 2021, it was determined that it takes \$100,000 to remediate asbestos in floor tiles in a building. The public sector entity plans to remediate the TCA in 10 years. This means that it will take \$121,900 to remediate the tiles in 2023.

Calculation:

Formula = $[(1+i)^n] * \$X$

i = inflation rate, n = years to remediate, X = cost per footage

= $[(1+2\%)^{10}] * \$100,000$

= 1.2190 * \$100,000

= \$121,900

Initial recording of ARO in SAP

There exists current limitations within SAP as it relates to the initial recording of AROs using the NPV and inflation method. This impacts both the TCA and liability recording of an ARO. Therefore, there are key considerations that should be applied as it relates to initial recording of AROs:

The estimated ARO cost to remediate an asset is estimated at a point in time (usually in today's costs). The initial TCA valuation for the ARO is calculated through a spreadsheet by applying an inflation rate to the point of remediation/retirement and then using a discount rate, the NPV is calculated to value the ARO TCA cost back to the date of the obligation. The amortization of the ARO is calculated on a straight-line basis up to the point of the current period. The values of the TCA are then inputted into SAP as ARO sub-assets. Annually, the amortization expense is calculated by SAP's TCA module, where the amortization is recorded on the sub-asset.

The initial ARO liability calculation should be done through a spreadsheet and inputted into SAP through a journal entry, as SAP currently does not support these calculations. Annually, the periodic increases due to the accretion expense should be calculated using a spreadsheet and then manually uploaded into SAP through journal entries. Assuming the spreadsheet method will be adequate for the calculations. Other software solutions are allowed.

AROs in fully amortized TCAs that are still in productive use guidance

The following is a practical example of how to record and account for an ARO for fully amortized TCAs that are still in productive use:

Example of measurement for an ARO in fully amortized TCAs:

The ARO is known to be \$1,000,000 in 10 years' time. The revised useful life of the TCA is therefore increased to 10 years. The increase to the cost base of the TCA will be amortized over the revised useful life (10 years), and the liability will accrete to \$1,000,000 over 10 years.

Journal entry for ARO in fully amortized assets:

Dr. TCA (ARO)	\$744,094	
Cr. Liability (ARO)		\$744,094

Each year would require the amortization of the ARO TCA and the accretion of the liability for 10 years.

AROs in unrecorded TCAs guidance

The following is a practical example of how to measure and account for an ARO for unrecorded TCAs:

Example of the recognition for an ARO for unrecorded TCAs:

An unrecorded building that was acquired in 1976 requires remediation at a cost of \$100,000 (discounted) based on legislation that came into effect in 1985. Since inception, the building has not been accounted for in the entity's books.

Journal entry for ARO for unrecorded TCAs

Dr. Expense	\$100,000	
Cr. Liability (ARO)		\$100,000

*On initial adoption of the standard, the ARO is put through accumulated surplus/deficit

AROs for TCAs no longer in productive use guidance

The following is a practical example of how to account for an ARO for TCAs no longer in productive use:

Example of measurement for an ARO for TCA no longer in productive use:

An abandoned building requires remediation based on legislation at a cost of \$500,000 (discounted). The building has not been in use for over 20 years:

Journal entry for an ARO for TCA no longer in productive use

Dr. Expense (ARO)*	\$500,000	
Cr. Liability (ARO)		\$500,000

*On initial adoption of the standard, the ARO is put through accumulated surplus/deficit

Measurement example: steps 1 to 6

The following two examples provides guidance for how to measure and record an ARO using steps 1 to 6.

1. Measure
2. Inflate
3. Determine discount rate
4. Discount cashflows
5. Accrete
6. Amortize