



# **Directive on Charging and Special Financial Authorities**

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# Directive on Charging and Special Financial Authorities

## 1. Effective date

- 1.1 This directive takes effect on April 1, 2017.
- 1.2 This directive replaces the following Treasury Board policy instruments:
  - Policy on Interdepartmental Charging and Transfers Between Appropriations (June 20, 1997)
  - Policy on Special Revenue Spending Authorities (July 1, 2000)
  - Policy on Service Standards for External Fees (April 1, 2012)
  - Directive on Internal Support Services (April 1, 2012)
  - Directive on Specified Purpose Accounts (August 12, 2010)
  - Directive on Receipt, Deposit and Recording of Money (August 12, 2010)

## 2. Authorities

- 2.1 This directive is issued pursuant to the authorities indicated in sections 7 and 39 of the [Financial Administration Act](#).

## 3. Objectives and expected results

- 3.1 The objectives indicated in section 3 of the [Policy on Financial Management](#) apply to this directive.
- 3.2 The expected results indicated in section 3 of the [Policy on Financial Management](#) apply to this directive.

## 4. Requirements

### General

- 4.1 Chief financial officers (CFOs) are responsible for the following:
  - 4.1.1 Ensuring that there is an authority to collect revenue;
  - 4.1.2 Ensuring that there is an authority to spend the revenue collected; otherwise it must be deposited to the Consolidated Revenue Fund; and
  - 4.1.3 Consulting with central agencies when assessing the impact of external user fees;

### External charging (including user fees)

- 4.2 CFOs are responsible for the following:
  - 4.2.1 Providing the deputy head with assurance that cost estimates are reasonable and have been prepared in accordance with associated policy instruments;
  - 4.2.2 Ensuring that fees do not exceed the full cost to government to provide the service or regulatory scheme;
  - 4.2.3 Establishing the frequency of periodic reviews for user-fee-related costs of activities;
  - 4.2.4 Ensuring that a recommendation to the Minister is based on the findings of a comprehensive periodic review, which must include the following:
    - 4.2.4.1 A three-year rolling average of the public subsidy of the user fee or fee grouping;
    - 4.2.4.2 The cost base, projected revenue and demand; and
    - 4.2.4.3 The impact of any change in these factors; and
  - 4.2.5 Ensuring that the department reports information on user fees and fees set by contract in the manner prescribed by the Treasury Board of Canada Secretariat.
- 4.3 Senior departmental managers are responsible for the following:
  - 4.3.1 Obtaining a legal opinion when considering the creation or amendment of a user fee;
  - 4.3.2 Establishing and communicating service standards to the stakeholders paying the user fees;
  - 4.3.3 Providing access to stakeholders to ensure they can contact the department to express concerns or complaints about its charging practices and service performance;

- 4.3.4 Communicating the department's process for resolving disputes related to user fees;
- 4.3.5 Conducting comprehensive periodic reviews of activities required to manage user fees at least every three years;
- 4.3.6 Advising the CFO and recommending corrective action regarding significant issues in meeting published service standards;
- 4.3.7 Reporting departmental information on user fees and fees set by contract in the manner prescribed by the Treasury Board of Canada Secretariat; and
- 4.3.8 Ensuring that the department provides an explanation and a remediation plan in its Departmental Performance Report if it does not meet a published service standard by more than 10 per cent.

## **Internal charging for enterprise services**

- 4.4 CFOs are responsible for the following:
  - 4.4.1 Ensuring that the amount to be charged does not exceed the approved estimate. The rate may exceed the value of related expenditures only if approved by the Treasury Board;
  - 4.4.2 Ensuring that Treasury Board approval is obtained for the rates to be charged to client departments for mandatory services that are not funded by appropriations:
    - 4.4.2.1 Except where the Treasury Board has authorized the department to set rates directly; and
  - 4.4.3 Ensuring that rates set for services to Crown corporations or non-federal organizations are consistent with the mandate of the department and do not exceed the full cost to government of providing the service.
- 4.5 Senior departmental managers are responsible for the following:
  - 4.5.1 Working with the CFO to ensure that the fees charged are reasonable and within the department's authority;
  - 4.5.2 Estimating the cost to deliver the service;
  - 4.5.3 Ensuring that a written agreement is established and approved by authorized representatives of both departments before services are provided. The written agreement must define the following:
    - 4.5.3.1 The cost of the service and the rate;
    - 4.5.3.2 The service standard; and
    - 4.5.3.3 All relevant accountabilities.
  - 4.5.4 Ensuring that invoices to client departments have sufficient detail to support client [Financial Administration Act](#) section 34 certification.

## **Internal charging when collaborating (section 29.2 of the Financial Administration Act)**

- 4.6 CFOs are responsible for the following:
  - 4.6.1 Ensuring that interdepartmental charges are made to recover an amount that is equal to or less than incremental costs incurred in providing services, except where:
    - 4.6.1.1 Charges may be waived where the costs of providing services to the other department is not material.
- 4.7 Senior departmental managers are responsible for the following:
  - 4.7.1 Ensuring that the arrangements between collaborative departments do not result in the transfer of services that are subject to specific legislation or other Treasury Board direction;
  - 4.7.2 Working with the CFO to ensure that the amounts charged are reasonable and within the department's authority;
  - 4.7.3 Ensuring that a written agreement is established and approved by authorized representatives of both departments before services are rendered. The written agreement must define the following:
    - 4.7.3.1 The method that will be used to determine the cost of the service;
    - 4.7.3.2 The service standard; and
    - 4.7.3.3 All relevant accountabilities.
  - 4.7.4 Ensuring that invoices to client departments have sufficient detail to support client [Financial Administration Act](#) section 34 certifications.

## **Revolving funds**

- 4.8 CFOs are responsible for the following:
- 4.8.1 Ensuring that separate accounts are maintained for each revolving fund;
  - 4.8.2 Ensuring that financial statements are prepared annually for each revolving fund in accordance with the Government of Canada Accounting Handbook, and with the Public Sector Accounting Standards and the Public Sector Guidelines issued by the Chartered Professional Accountants of Canada (CPA Canada);
  - 4.8.3 Ensuring that an annual assessment of the operational and financial performance of the fund occurs in relation to the business plan, and ensuring that remedial actions are taken, if required;
  - 4.8.4 Ensuring that the fund will be self-sufficient over its business cycle; and
  - 4.8.5 Informing the Treasury Board of Canada Secretariat of any significant changes in the operating environment or in the fund's financial performance.
- 4.9 Senior departmental managers are responsible for the following:
- 4.9.1 Ensuring that Treasury Board approval is obtained prior to seeking legislative approval for any matter relating to a revolving fund;
  - 4.9.2 Ensuring that Treasury Board approval is obtained for planned changes to key operating aspects of the fund, including changes to the following:
    - 4.9.2.1 The scale and materiality of the activities of the revolving fund;
    - 4.9.2.2 Resources or assets transferred to or from the fund, or obligations assumed or relinquished by the fund;
    - 4.9.2.3 The elements of direct or indirect costs to be charged to the fund, or the basis for allocating indirect overhead costs to the fund; and
    - 4.9.2.4 The basis of fees or rate setting.

## **Vote netted revenues**

- 4.10 CFOs are responsible for the following:
- 4.10.1 Ensuring that vote wording is provided to the Treasury Board of Canada Secretariat for inclusion in appropriation acts;
  - 4.10.2 Seeking parliamentary approval on an annual basis for vote netted revenue authority through an appropriation act;
  - 4.10.3 Implementing internal controls to ensure that spendable revenues are used only to offset related expenditures incurred in the same fiscal year;
  - 4.10.4 Ensuring that revenues are recorded as non-spendable revenue when they are not related to expenditures incurred to provide the service;
  - 4.10.5 Seeking Treasury Board approval to offset expenditures using spendable revenue amounts received in a fiscal year in excess of 125 per cent of the amount approved by Treasury Board in the Estimates process; and
  - 4.10.6 Ensuring that recoveries of expenditures that are charged to the capital vote are recorded as non-tax, non-spendable revenues.
- 4.11 Senior departmental managers are responsible for the following:
- 4.11.1 Ensuring that Treasury Board approval is obtained for the use of specified revenues to finance activities or programs before vote netted revenue authority is sought from Parliament.

## **Special purpose money**

- 4.12 CFOs are responsible for the following:
- 4.12.1 Obtaining approval from the Receiver General before accepting the related special purpose money when:
    - 4.12.1.1 A new account for special purpose money is established;
    - 4.12.1.2 A change in the authority is required; or
    - 4.12.1.3 The purpose of an existing account has changed;
  - 4.12.2 Ensuring that the use of special purpose money:
    - 4.12.2.1 Is restricted to payments to third parties or other government departments; and

4.12.2.2 Is not transferred to other accounts within the department;

4.12.3 Once the purpose associated with special purpose money is achieved, ensuring that:

4.12.3.1 Any balance in the account is returned to the other party; or

4.12.3.2 If there is no obligation to return the funds to the other party, the balance is transferred to a non-tax, non-responsible revenue account; and

4.12.3.3 The Receiver General is informed and the account is closed.

4.13 Senior departmental managers are responsible for the following:

4.13.1 Accepting special purpose money only when the specified purpose is within the department's mandate.

## **Receipts that are responsible**

4.14 CFOs are responsible for the following:

4.14.1 Ensuring that receipts, excluding situations detailed in Appendix A, are credited to only the following:

4.14.1.1 Statutory appropriations if listed in Appendix A; or

4.14.1.2 Lapsing appropriations if listed in Appendix A:

4.14.1.2.1 Otherwise, the receipt should be recorded as a refund of a previous year's expenditure.

## **Other government department (OGD) suspense accounts**

4.15 CFOs are responsible for the following:

4.15.1 Ensuring that OGD suspense accounts are used only when the department is administering a program on behalf of another department;

4.15.2 Ensuring that the OGD suspense account balance is zero at the end of the fiscal year by returning surplus funds to the partner organization; and

4.15.3 Ensuring that a written agreement that clearly establishes all relevant accountabilities is approved by authorized representatives of both departments before funds are transferred to the administering department.

4.16 Senior departmental managers are responsible for the following:

4.16.1 Confirming with the Privy Council Office that the nature, materiality and duration of the planned arrangement do not warrant a change in the machinery of government.

## **5. Roles of other government organizations**

5.1 Not applicable

## **6. Application**

6.1 This directive applies to the organizations described in section 6 of the [Policy on Financial Management](#).

## **7. References**

7.1 Legislation

- [Financial Administration Act](#), sections and subsections 17, 21, 29.1, 29.2 and 39
- [User Fees Act](#)

7.2 Related policy instruments

- [Guidelines on Costing](#)

## **8. Enquiries**

8.1 Members of the public may contact [Treasury Board of Canada Secretariat Public Enquiries](#) for any questions regarding this directive.

8.2 Individuals from departments should contact their departmental financial policy group for any questions regarding this directive.

8.3 Individuals from a departmental financial policy group may contact [Financial Management Enquiries](#) for interpretation of this directive.

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# Appendix A: Standard on Receipts That Are Respendable Pursuant to Section 39 of the Financial Administration Act

## A.1 Effective date

- A.1.1 These procedures take effect on April 1, 2017.
- A.1.2 These procedures replace portions of the Directive on Receipt, Deposit and Recording of Money (August 12, 2010).

## A.2 Procedures

- A.2.1 These procedures provide details on the requirements set out in subsection 4.14 of the Directive on Charging and Special Financial Authorities.
- A.2.2 Mandatory procedures are as follows:
  - A.2.2.1 **Exclusions:** Receipts may not be credited to a lapsing appropriation or a statutory appropriation when they are for the following:
    - A.2.2.1.1 A revolving fund;
    - A.2.2.1.2 Revenues under a vote netted authority; or
    - A.2.2.1.3 Special purpose money;
  - A.2.2.2 **Lapsing appropriations:** Receipts may be credited to a lapsing appropriation if charged in the same fiscal year as the original disbursement. The receipt against which the related expenditure (advance or payment) was charged must fall within one of the following situations:
    - A.2.2.2.1 Recovery of an overpayment to a supplier;
    - A.2.2.2.2 Recovery of a duplicate payment issued to a supplier;
    - A.2.2.2.3 Recovery of an erroneous payment to a supplier;
    - A.2.2.2.4 Recovery of delinquent account travel card charges that are paid on behalf of the cardholder by the department and recovered from the cardholder or employee;
    - A.2.2.2.5 Repayment of an accountable advance;
    - A.2.2.2.6 Repayment of a repayable contribution as described in the Directive on Transfer Payments;
    - A.2.2.2.7 Refund from the return of goods;
    - A.2.2.2.8 Refund of sales or excise taxes and custom duties;
    - A.2.2.2.9 Refund of an advance payment;
    - A.2.2.2.10 Refund resulting from the settlement of contractual disputes;
    - A.2.2.2.11 Refund resulting from a manufacturer's rebate, price reduction, volume discounts or other price adjustment;
    - A.2.2.2.12 Refund resulting from a landlord's rebate representing a cash lease incentive where a government department is a lessee;
    - A.2.2.2.13 Payment received further to an indemnification;
    - A.2.2.2.14 Payment received following a claim for loss of or damage to a Crown asset;
    - A.2.2.2.15 Rebate resulting from contractual arrangements;
    - A.2.2.2.16 Reimbursement from an organization for its agreed share of costs further to a cost-sharing arrangement;
    - A.2.2.2.17 Repayment of travel expenses such as personal stopovers and side trips for which charges were included in a departmental invoice but that are the responsibility of the employee or traveller; and
    - A.2.2.2.18 Repayment by employees of expenses of a personal nature such as cellular telephone charges for which payment was made by the department.
  - A.2.2.3 **Statutory appropriations:** The following receipts may be credited to a statutory appropriation in the

fiscal year they are received:

A.2.2.3.1 Refund of an expenditure;

A.2.2.3.2 Recovery of an overpayment;

A.2.2.3.3 Repayment of an advance; and

A.2.2.3.4 Repayment of a budgetary loan that was originally charged to the statutory appropriation.

## Appendix B: Definitions

enterprise services (services intégrés)

Services offered by departments that have the mandate to provide services to other government departments (formerly referred to as common service organizations).

fee set by contract (frais établis par contrat)

A fee established under a contract between a department (as defined in section 2 of the Financial Administration Act) and an external party.

full cost to government (coût total pour le gouvernement)

The sum of all costs (direct and indirect) incurred by the government in the supply of a good, service, property, or right or privilege.

incremental cost (coûts différentiels)

An increased cost to a supplier's appropriation resulting from an additional requirement to provide additional goods or services.

other government department suspense account (OGD suspense account) (comptes d'attente d'autres ministères)

An account to which a transaction is posted on a temporary basis until its ultimate disposition is determined.

user fees (frais d'utilisation)

Includes regulatory charges and fees set by contract unless specified otherwise.

related expenditures (dépenses afférentes)

Expenditures charged against a departmental spending authority that supports the program that produces revenues where the department has the authority to use revenues to offset related expenditures.

revolving funds (fonds renouvelables)

Funding mechanisms in which revenues remain available in order to finance continuing operations without fiscal year limitations. In the Government of Canada, revolving funds are used as alternative means of providing funding for specific purposes. The use of revolving funds is appropriate for large, distinct activities that provide client-oriented services where costs can be financed from revenues over a reasonable business cycle.

special purpose money (fonds destinés à des fins déterminées)

Monies received or collected from outside parties and deposited in the Consolidated Revenue Fund pursuant to subsection 21(1) of the Financial Administration Act. The money may be disbursed only for the purpose specified in the instrument (i.e., act, trust, treaty, undertaking or contract) under which it is received. There has to be a direct link between monies received and monies disbursed, including any interest that may be authorized.

vote netted revenue (revenus nets en vertu d'un crédit)

An alternative means of wholly or partially funding selected programs or activities that produce revenues.