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Canada

Policy on Financial Management

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Policy on Financial Management

1. Effective date

- 1.1 This policy takes effect on April 1, 2017.
- 1.2 This policy replaces the following Treasury Board policy instruments:
- Policy Framework for Financial Management (June 1, 2010)
 - Policy on Financial Management Governance (April 1, 2009)
 - Policy on Financial Resource Management, Information and Reporting (June 1, 2010)
 - Policy on the Stewardship of Financial Management Systems (January 1, 2010)
 - Policy on Internal Control (April 1, 2009)
 - Directive on Electronic Authentication and Authorization of Financial Transactions (March 1, 2012)
 - Directive on the Stewardship of Financial Management Systems (January 1, 2010)
 - Standard on Recording Financial Transactions in the Departmental Chart of Accounts (April 1, 2012)

2. Authorities

- 2.1 This policy is issued pursuant to section 7 and subsection 11.1 of the [Financial Administration Act](#) and section 31 of the [Public Service Employment Act](#).
- 2.2 The Treasury Board has delegated to the President of the Treasury Board the authority to:
- 2.2.1 Approve exceptions to the directives, including standards, mandatory procedures and other appendices, related to this policy;
 - 2.2.2 Amend directives, including standards, mandatory procedures and other appendices, related to this policy; and
 - 2.2.3 Issue and rescind sections to the Standard on the Government of Canada Accounting Handbook.

3. Objectives and expected results

- 3.1 The objective of this policy is as follows:
- 3.1.1 Financial resources of the Government of Canada are well managed in the delivery of programs to Canadians and safeguarded through balanced controls that enable flexibility and manage risk.
- 3.2 The expected government-wide results of this policy are as follows:
- 3.2.1 Governance and oversight over financial management are effective;
 - 3.2.2 Internal controls over financial management are effective;
 - 3.2.3 Financial information supports decision making and accountability to Canadians;
 - 3.2.4 Standardized and efficient financial management practices are in place; and
 - 3.2.5 The financial management workforce is agile and sustainable.

4. Requirements

- 4.1 Deputy heads are responsible for the following:

Governance and oversight

- 4.1.1 Designating a chief financial officer (CFO) to lead the departmental financial management function;
- 4.1.2 Establishing departmental governance and oversight to ensure that:
 - 4.1.2.1 Senior departmental managers and the CFO:
 - 4.1.2.1.1 Are aware of their financial management responsibilities;
 - 4.1.2.1.2 Have the necessary knowledge to carry them out; and
 - 4.1.2.1.3 Monitor financial management performance within their areas of responsibility;
 - 4.1.2.2 The CFO is empowered to provide strategic financial and business advice and support to senior departmental managers; and

- 4.1.2.3 The delegation of financial authorities is risk-based, taking into consideration the timely delivery of programs, empowerment of individuals and departmental controls;
- 4.1.3 Investigating and acting when significant issues regarding policy compliance arise, and ensuring that appropriate remedial action is taken to address such issues within the department;
- 4.1.4 Ensuring that the CFO advises the Comptroller General of Canada on a timely basis when there are difficulties in complying with this policy, its supporting instruments or other direction from the Comptroller General of Canada;
- 4.1.5 Advising the Secretary of the Treasury Board and the Comptroller General of Canada on a timely basis when there are issues that pose a critical financial risk to the department, including the possibility that the department may exceed its appropriations;

Internal controls

- 4.1.6 Ensuring that a risk-based departmental system of internal control over financial management is established, monitored and maintained;

Financial information

- 4.1.7 Ensuring that timely and accurate departmental financial information is available to support decision making in the department and across government;
- 4.1.8 Approving key financial statements, disclosures and reports, including the following:
 - 4.1.8.1 Cabinet submission documents;
 - 4.1.8.2 Financial reports and statements, including annual financial statements;
 - 4.1.8.3 Annual Statement of Management Responsibility Including Internal Control Over Financial Reporting, including a summary of the annual assessment of the system of internal control over financial reporting;
 - 4.1.8.4 Letters of Representation to the Auditor General and the Deputy Receiver General in support of the Public Accounts; and
 - 4.1.8.5 Other documents as required;

Financial management workforce

- 4.1.9 Ensuring the development of talent management and succession plans that:
 - 4.1.9.1 Demonstrate that the department has ongoing strategic leadership capabilities and the capacity to lead the financial management workforce; and
 - 4.1.9.2 Support the Comptroller General of Canada's government-wide talent management and community development initiatives;
- 4.1.10 Ensuring that the CFO:
 - 4.1.10.1 Reports directly to the deputy head;
 - 4.1.10.2 Is not assigned program responsibilities;
 - 4.1.10.3 Is not assigned non-financial corporate responsibilities that would compromise their objectivity or financial capabilities;
 - 4.1.10.4 Possess, for the purposes of the Treasury Board Executive Group (EX) Qualification Standard, either:
 - 4.1.10.4.1 A designation bestowed by the Chartered Professional Accountants of Canada (CPA Canada); or
 - 4.1.10.4.2 An acceptable combination of education, training and/or experience as determined by the Comptroller General of Canada; and
- 4.1.11 Consulting with the Comptroller General of Canada regarding creating a CFO position and prior to:
 - 4.1.11.1 The appointment, deployment, replacement or departure of a CFO; and
 - 4.1.11.2 Selection of a CFO who does not hold a designation bestowed by CPA Canada.
- 4.2 Departmental CFOs are responsible for the following:

Governance and oversight

- 4.2.1 Supporting deputy heads in fulfilling their financial management responsibilities and accountabilities;
- 4.2.2 Leading and managing the departmental financial management function, including the following:
 - 4.2.2.1 Providing strategic financial and business advice to support deputy heads and senior departmental managers to ensure that:
 - 4.2.2.1.1 Program plans and key business decisions are based on sound financial analysis; and
 - 4.2.2.1.2 Financial results are integrated into the management of program performance;
 - 4.2.2.2 Leading the departmental financial planning and budgeting process, including the following:
 - 4.2.2.2.1 The timely allocation of budgets; and
 - 4.2.2.2.2 The provision of tools to forecast and manage financial resources;
 - 4.2.2.3 Assessing financial pressures, both on an in-year and multi-year basis, and recommending resource management strategies, including opportunities to reallocate funds; and
 - 4.2.2.4 Ensuring that the department's financial plans, budgets, financial performance and financial position are regularly communicated and integrated into departmental strategic planning processes;
- 4.2.3 Designating a deputy CFO who has appropriate qualifications to ensure the ongoing leadership of the department's financial management function;
- 4.2.4 Performing a challenge function on financial management matters, including assessing departmental financial plans, and forecasts to determine whether:
 - 4.2.4.1 Financial resources are aligned with departmental priorities;
 - 4.2.4.2 Key financial assumptions underlying the plans are reasonable and their multi-year impacts have been assessed;
 - 4.2.4.3 Financial risks and mitigating strategies are identified; and
 - 4.2.4.4 The anticipated multi-year financial position of the department is reasonable;
- 4.2.5 Serving as the primary contact point with central agencies on all matters related to departmental financial management;
- 4.2.6 Advising the deputy head and the Comptroller General of Canada on a timely basis if:
 - 4.2.6.1 There is a critical financial risk to the department, including where there is a possibility that the department may exceed its appropriations;
 - 4.2.6.2 There are significant departmental financial transactions that involve uncertain or unusual circumstances; or
 - 4.2.6.3 There are difficulties complying with this policy, its supporting instruments or other direction from the Comptroller General of Canada;
- 4.2.7 Advising the Comptroller General of Canada on a timely basis if the deputy head does not accept the CFO's advice on a significant financial matter;

Internal controls

- 4.2.8 Establishing, monitoring and maintaining a risk-based system of internal control over financial management to provide reasonable assurance that:
 - 4.2.8.1 Public resources are used prudently and in an economical manner;
 - 4.2.8.2 Financial management processes are effective and efficient; and
 - 4.2.8.3 Relevant legislation, regulations and financial management policy instruments are being complied with;
- 4.2.9 Establishing, monitoring and maintaining a risk-based system of internal control over financial reporting, as demonstrated by the departmental Statement of Management Responsibility Including Internal Control Over Financial Reporting, to provide reasonable assurance, at a minimum, that:
 - 4.2.9.1 Records are maintained that support and represent fairly all financial transactions;
 - 4.2.9.2 Recording of financial transactions allows for the preparation of internal and external financial information, reports and statements in compliance with financial management policy instruments;
 - 4.2.9.3 Expenditures made are in accordance with delegated authorities, and unauthorized transactions that

- could have a material effect on the financial statements are prevented or detected in a timely manner; and
- 4.2.9.4 Financial resources are safeguarded against material loss due to waste, abuse, mismanagement, errors, fraud, omissions and other irregularities;
- 4.2.10 Ensuring that prompt corrective action is taken when control weaknesses and material unmitigated risks are identified, including the risk of fraud, in the system of internal control over financial management and financial reporting;

Financial information

- 4.2.11 Maintaining and reporting timely and accurate departmental financial information;
- 4.2.12 Integrating financial information with non-financial information to support decision making and risk management;
- 4.2.13 Ensuring the accuracy and reasonableness of key departmental financial information, financial statements, disclosures and reports, including the following:
 - 4.2.13.1 Cabinet submission documents by way of a CFO attestation;
 - 4.2.13.2 Documents related to the Estimates process;
 - 4.2.13.3 Financial reports and statements, including annual financial statements;
 - 4.2.13.4 Annual Statement of Management Responsibility Including Internal Control Over Financial Reporting, including a summary of:
 - 4.2.13.4.1 The results of the annual assessment of the system of internal control over financial reporting, along with actions taken and future plans; and
 - 4.2.13.4.2 The results of the annual assessment of the system of internal control over common services when providing such services to other departments;
 - 4.2.13.5 Letters of Representation to the Auditor General and the Deputy Receiver General in support of the Public Accounts; and
 - 4.2.13.6 Other documents as required;
- 4.2.14 Notifying the deputy head of any subsequent material errors or changes in respect to information referred to in subsection 4.2.13 of this policy;

Efficient financial management practices

- 4.2.15 Ensuring that the department pursues internal opportunities and actively collaborates with other departments to continuously improve and standardize the financial management function to achieve greater efficiencies;
- 4.2.16 Seeking the endorsement of the Comptroller General of Canada for departmental investments in financial management systems, including the following:
 - 4.2.16.1 Communicating the results and benefits of those investments, as requested;

Financial management workforce

- 4.2.17 Ensuring that the deputy CFO possesses a designation bestowed by CPA Canada where the CFO does not possess a designation;
 - 4.2.18 Developing a sustainable talent management strategy and succession plan to ensure that the department has the capacity to deliver the financial management workforce;
 - 4.2.19 Providing leadership, both within the department and across government, in cultivating a high-performing financial management culture; and
 - 4.2.20 Supporting the Comptroller General of Canada's government-wide talent management and community development initiatives.
- 4.3 Senior departmental managers are responsible for the following:

Governance and oversight

- 4.3.1 Establishing governance and oversight to ensure that individuals responsible for financial management in their area of responsibility:
 - 4.3.1.1 Are aware of their financial management responsibilities and have the necessary training to carry them out;

- 4.3.1.2 Exercise their delegated authorities in accordance with Treasury Board and departmental rules; and
- 4.3.1.3 Monitor the financial management performance in their areas of responsibility;
- 4.3.2 Developing timely financial plans and budgets for their area of responsibility and ensuring that:
 - 4.3.2.1 Financial resources are aligned to support their program priorities;
 - 4.3.2.2 Key financial assumptions underlying plans and decisions are supported and their multi-year impacts have been identified and assessed; and
 - 4.3.2.3 Financial risks and mitigating strategies are identified;
- 4.3.3 Regularly monitoring and communicating to the CFO the status of their financial plans, budgets, performance and financial position;
- 4.3.4 Seeking the advice and support of the CFO for matters related to financial management, including the following:
 - 4.3.4.1 Preparing Cabinet submissions;
 - 4.3.4.2 Preparing financial reports and disclosures;
 - 4.3.4.3 Ensuring the application of financial controls;
 - 4.3.4.4 Developing cost estimates and evaluating financial risks;
 - 4.3.4.5 Considering key program decisions with significant financial management implications; and
 - 4.3.4.6 Integrating financial and program results to support the management of program performance;
- 4.3.5 Notifying the CFO when they anticipate being unable to comply with this policy, its supporting instruments, or other direction from the Comptroller General of Canada;

Internal controls

- 4.3.6 Implementing and maintaining a risk-based system of internal control over financial management in their area of responsibility;
- 4.3.7 Notifying the CFO of material control weaknesses and ensuring that prompt corrective action is taken when control weaknesses are identified in their area of responsibility;

Financial information

- 4.3.8 Ensuring the accuracy and reasonableness of the financial information reported externally and internally for their areas of responsibility; and
 - 4.3.9 Notifying the CFO of any subsequent material errors or changes to the information referred to in subsection 4.3.8 of this policy.
- 4.4 The Comptroller General of Canada is responsible for providing leadership for financial management within the Government of Canada, including the following:

Governance and oversight

- 4.4.1 Providing strategic financial advice to the President of the Treasury Board, the Secretary of the Treasury Board, the Clerk of the Privy Council, deputy heads and CFOs;
- 4.4.2 Monitoring, providing guidance and recommending corrective actions regarding the following:
 - 4.4.2.1 Compliance with this policy and its supporting instruments;
 - 4.4.2.2 Financial management performance of departments; and
 - 4.4.2.3 The financial management function across government;
- 4.4.3 As required, appointing external advisors to support CFOs in addressing financial issues;

Financial information

- 4.4.4 Providing government-wide functional leadership regarding accounting standards and the preparation of departmental financial statements, quarterly financial reports and the Public Accounts of Canada;

Efficient financial management practices

- 4.4.5 Providing government-wide leadership for the continuous improvement and standardization of the financial management function to achieve greater efficiencies;
- 4.4.6 Working internally and with departments in reviewing and endorsing financial management system investments, and reviewing results and benefits realized; and

Financial management workforce

- 4.4.7 Providing government-wide functional leadership regarding the following:
 - 4.4.7.1 Knowledge and certification standards for CFOs and the financial management community, including determining:
 - 4.4.7.1.1 The acceptable combination of education, training and/or experience for purposes of the Treasury Board Executive Group (EX) Qualification Standard; and
 - 4.4.7.1.2 Any additional measures that may be appropriate to safeguard the integrity of the financial management workforce; and
 - 4.4.7.2 Development and sustainability of the financial management community through talent management and community development strategies.

5. Roles of other government organizations

- 5.1 Not applicable.

6. Application

- 6.1 This policy and its supporting instruments apply to departments as defined in section 2 of the [Financial Administration Act](#), unless otherwise excluded by other acts, regulations or orders in council.
- 6.2 Departments, agencies and organizations in the Government of Canada not subject to these provisions are encouraged to adopt this policy and its supporting instruments to the extent possible.
- 6.3 The requirements of the Comptroller General of Canada to monitor and recommend corrective actions regarding matters set out in subsections 4.4.2.1 and 4.4.2.2, to endorse investments in financial management systems under subsections 4.2.16 and 4.4.6, to determine an acceptable combination of education, training and/or experience in subsections 4.1.10.4.2 and 4.4.7.1.1 and to determine any additional measures that may be appropriate to safeguard the integrity of the financial management function in subsection 4.4.7.1.2 of this policy do not apply to the following organizations:
 - o Office of the Auditor General
 - o Office of the Chief Electoral Officer
 - o Office of the Commissioner of Lobbying of Canada
 - o Office of the Commissioner of Official Languages
 - o Office of the Information Commissioner of Canada
 - o Office of the Privacy Commissioner of Canada
 - o Office of the Public Sector Integrity Commissioner of Canada

The heads of these organizations are solely responsible for the following:

- o Monitoring and ensuring compliance with this policy within their organizations;
- o Endorsing investments in their financial management systems; and
- o When a CFO candidate does not hold a designation bestowed by CPA Canada, determining the acceptable combination of education, training and/or experience and any additional measures that may be appropriate to safeguard the integrity of the financial management function.

7. Consequences of non-compliance

- 7.1 For an outline of the consequences of non-compliance, refer to the [Framework for the Management of Compliance](#), Appendix C: Consequences for Institutions and Appendix D: Consequences for Individuals.

8. References

- 8.1 Legislation
 - o [Financial Administration Act](#)
- 8.2 Related policy instrument
 - o [Foundation Framework for Treasury Board Policies](#)

9. Enquiries

- 9.1 Members of the public may contact [Treasury Board of Canada Secretariat Public Enquiries](#) regarding any questions about this policy.
- 9.2 Individuals from departments should contact their departmental financial policy group regarding any questions about this policy.
- 9.3 Individuals from a departmental financial policy group may contact [Financial Management Enquiries](#) for interpretation of this policy.
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Appendix A: Definitions

critical financial risk (risque financier majeur)

An event with reasonable probability that a significant unfunded financial obligation may arise, the department may be unable to fulfill its mandate, or that the event may cause significant damage to the reputation of the Government of Canada. The identification of a critical financial risk depends on the department's operating environment and management's professional judgment.

financial authorities (pouvoirs financiers)

Includes:

- Certification authority ([Financial Administration Act, section 34](#))
- Payment authority ([Financial Administration Act, section 33](#))

financial management (gestion financière)

A continuum of finance-related activities undertaken to ensure sound and prudent use of public funds in an effective, efficient and economical manner.

financial management system (FMS) (système de gestion financière (SGF))

Any combination of business processes (end-to-end, automated and manual), procedures, controls, data and software applications, all of which are categorized as either program systems or central systems, that produces financial information and related non-financial information.

financial plan (plan financier ministériel)

A multi-year plan providing the basis for identifying the elements of the work and priorities to be delivered to achieve a department's mandate and programs. A financial plan supports the development of the in-year departmental budget and related allocations of resources.

financial reporting (rapport financier)

Internal and external financial reports and disclosures. Internal financial reporting can include financial information that supports decision making, risk assessment, planning, budgeting, resource allocations, accounting, performance assessments and reports. External reporting includes all financial statements, reports or disclosures, including those prepared for Parliament or designed to be made public.

internal control over financial management (contrôle interne en matière de gestion financière)

A set of measures and activities that provide reasonable assurance of the effectiveness and efficiency of the financial management activities of the department.

internal control over financial reporting (contrôle interne en matière de rapports financiers)

A subset of the system of internal control over financial management. Internal control over financial reporting is a set of measures and activities that allow senior management and users of financial statements to have reasonable assurance of the accuracy and completeness of the department's financial statements.

senior departmental managers (cadres supérieurs du ministère)

For the purposes of the Policy on Financial Management, senior departmental managers are typically departmental managers who report directly to a deputy head and are accountable for effective financial management within their areas of responsibility.