



Guideline on Financial Management of Pay Administration

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1. Effective date

This guideline takes effect on October 1, 2009.

2. Context

2.1 The purpose of this guideline is to assist managers to make better decisions, increase efficiency of departmental pay administration processes and ensure that all pay-related financial transactions requisitioned against the Consolidated Revenue Fund are properly authorized, legal and timely.

2.2 The [Directive on Financial Management of Pay Administration](#) (hereafter referred to as the Directive) requires that the Chief Financial Officer to establish departmental practices and controls that ensure effective internal administration and financial management of pay processes.

2.3 This guideline provides advice and recommendations on best practices that will assist departmental managers in fulfilling the requirements of the Directive. Selected excerpts from the Directive serve to contextualize the advice and recommendations herein so that their relation to the Directive's requirements will be well understood.

3. Definitions

Definitions of terms used in this guideline can be found in the [Appendix](#) of the Directive.

4. Management practices and controls

4.1 Signing authorities and segregation of duties

With respect to signing authorities, the Directive requires the following:

4.1.1 That administrative efficiency and control be exercised in the verification of pay input data by financial management so the work performed by human resources (HR) personnel is not duplicated;

4.1.2 That a process be in place to record and account for salary and wage commitments, as stipulated under s 32 of the [Financial Administration Act](#) (FAA), and to allow persons with authority under s 33 of the FAA to verify that payments are a lawful charge against the appropriation and that funds are available;

4.1.3 That all persons with delegated signing authorities for pay transactions successfully complete the requisite training to understand the responsibilities associated with their delegated authority; and

4.1.4 That the Chief Financial Officer provide functional direction to persons who are responsible for the distribution of cheques and direct deposit payment statements and ensure that adequate segregation of duties, such as the custody and distribution of cheques, is performed by persons who do not have signing authority in the areas of staffing, classification, staffing transactions or pay input transactions.

Recommendations:

In support of the Directive's requirements paraphrased above, it is recommended that efficient and effective accounting procedures be developed in conjunction with senior HR management to ensure that all pay input documents meet the requirements of the [Directive on Account Verification](#) relating to sections 33 and 34 of the FAA and the requirements of the [Payment and Settlement Requisitioning Regulations, 1997](#).

4.2 Direct deposit

It is recommended that missing or delayed direct deposits of pay be handled in compliance with the [Electronic Payments Regulations](#) and not by means of emergency salary advances.

4.3 Emergency salary advances

It is recommended that all emergency salary advances be issued in compliance with the requirements of [Pay administration-General](#).

4.4 Reconciliation

Timely reconciliation is recommended between the Regional Pay System's detailed pay data and the payroll control account totals received from Public Works and Government Services Canada through its the Payroll System - General Ledger (PS-GL).

4.5 Secondment and interchange agreements

The Directive requires that internal procedures be established and documentation maintained for salary expenses administered under secondment and interchange agreements, including allowances and employer-paid benefits to be reimbursed by the host organization for employees of the core public administration on secondment or for persons on an interchange assignment to or from an outside organization. Further, the Directive requires that departure procedures be established to ensure the recovery of any funds owing to the department or equipment belonging to the department be returned when an employee on secondment or interchange leaves the department.

Recommendations:

In support of the Directive, the following is recommended:

4.5.1 That recovered salary expenses, allowances and employer-paid benefits do not result in unauthorized increases to the home organization's spending authority; and

4.5.2 That the home organization absorb the difference if the amount the host organization is prepared to pay is less than the salary being paid to the employee on secondment or person on an interchange assignment;

4.6 Garnishment of salaries and wages and assignment of Crown debts

The Directive requires that a process which complies with Part I of the [Garnishment, Attachment and Pension Diversion Act](#) be established to permit creditors and others to garnish salaries, other remuneration paid to government employees and money owed to individuals employed under service contracts.

Further, the Directive requires that financial officers receive training on, when necessary, and be familiar with the procedures for garnishing salaries and money owed to a person hired through a personal services contract as well as the procedures to remit the garnished amount to the court. Details of these procedures are contained in the Receiver General [Guidelines on Garnishment](#) and the Receiver General Directive 1983-5R2 [Garnishment of public servants' salaries and monies owing to individuals employed under contracts for services](#). Finally, the Directive requires that individuals involved with the administration of the garnishment legislation be familiar with the related legislation, the [Garnishment, Attachment and Pension Diversion Act](#), and the [Garnishment and Attachment Regulations](#) and the procedures contained in [Guidelines on Garnishment](#).

In support of the above requirements, it is advisable:

4.6.1 That a Garnishee Contact be designated as the initial point of contact for all garnishee summons and that he or she, upon receipt of the summons, would determine whether:

- The individual subject to garnishment is an employee of the department; or
- The individual is working under contract;

4.6.2 That payment be made to the assignee, attorney or judgment creditor, as the case may be, when assignment of a Crown debt for a personal services contract has been approved or a power of attorney or garnishment order is in effect;

4.6.3 That, pursuant to the [Garnishment, Attachment and Pension Diversion Act](#), garnished money is forwarded to the court or the office indicated in the garnishee summons as follows:

- For salary (employees), within 15 calendar days after the last day of the pay period in which it is withheld; and
- For other remuneration (contractors), including fees, honoraria and the like, within 15 calendar days after it is garnished;

4.7 Taxable benefits

The [Income Tax Act](#) and provincial income tax acts for filing information returns require that adequate record keeping be established and maintained.

4.8 Workers' compensation

4.8.1 The Directive requires that any salary replacement be recovered from other sources, such as a workers' compensation board, when an employee has been injured and, in rare instances of administrative error, the employee is receiving full salary during the predetermined period as established by the employer. Such money does not have to be repaid when the salary replacement stems from a personal disability policy for which the employee or the employee's agent has paid the premium. Refer to the appropriate provincial legislation to determine if employment-injury benefits received from the Workers' Compensation Board are taxable. For additional information concerning workers' compensation and injury on duty leave, consult the [Injury-on-Duty-Leave](#), published by the Treasury Board Secretariat.

4.8.2 Ensure that monies recovered are managed in compliance with the [Directive on Receipt, Deposit and Recording of Money](#).

4.9 Departure procedures

4.9.1 The Directive requires that, in collaboration with the department's HR branch, a departure report and checklist be established to sign off and certify that all money owing and recoverable material are accounted for before making a final payment to an employee leaving the department.

- The certification process is to ensure the return of the following: outstanding accountable advances such as travel advances, standing advances, emergency salary advances, petty cash funds and change floats; acquisition cards; travel cards; identity cards; overdrawn leave; and material on loan, such as equipment, tools and manuals. This list is not exhaustive and may include other items.
- The areas within an organizations that are required to sign off may include HR, security, materiel management, administration and library and financial services. This list is not exhaustive and may include other areas within the organizations.

4.9.2 The Directive requires that the financial management personnel-or, if applicable, the organization to which payment authority under section 33 of the [Financial Administration Act](#) is delegated-is the last to sign off and does so only after establishing that no money is owed to the Crown. Only then is it recommended that final payment be released.

5. References

Other relevant legislation and regulations

- [Department of Public Works and Government Services Act](#) concerning the provision of pay services
- [Financial Administration Act](#) sections 2, 7, 32, 33 and 34
- [Garnishment, Attachment and Pension Diversion Act](#)
- [Garnishment and Attachment Regulations](#)
- [Family Support Orders and Agreements Garnishment Regulations](#)
- [Government Employees Compensation Act](#)
- [Income Tax Act](#)
- [Salaries Act](#)
- [Public Sector Compensation Act](#)
- [Accountable Advances Regulations](#)
- [Assignment of Crown Debt Regulations](#)
- [Cheque Issue Regulations, 1997](#)
- [Destruction of Paid Instruments Regulations, 1996](#)
- [Electronic Payments Regulations](#)
- [Payments and Settlements Requisitioning Regulations, 1997](#)
- [Payments to Estates Regulations, 1996](#)
- [Repayment of Receipts Regulations, 1997](#)

Related policy instruments and publications

- [Policy on Internal Control](#)
- [Pay administration-General](#)
- [Directive on Accountable Advances](#)
- [Directive on Account Verification](#)
- [Deductions from pay](#)
- [Directive on Delegation of Financial Authorities for Disbursements](#)
- [Directive on Expenditure Initiation and Commitment Control](#)
- [Directive on Receipt, Deposit and Recording of Money](#)
- [Directive on Receivables Management](#)
- [Directive on Terms and Conditions of Employment](#)
- [Financial Information Strategy Accounting Manual, section 7.3, Compensation](#)
- Receiver General *Guidelines on Garnishment*
- *Injury-on-Duty Leave*
- [Guideline on Common Financial Management Business Process for Pay Administration](#)
- [Pay Administration control framework tool](#)
- Receiver General Manual, *Chapter 6, "Payroll Systems (PS) and Departments"*
- Receiver General Directive 1983-5R2, "*Garnishment of public servants' salaries and monies owing to individuals employed under contracts for services*"

6. Enquiries

Please direct enquiries about this guide to your departmental headquarters. For interpretation of this guideline, departmental headquarters should contact:

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