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› [Directive on Public Money and Receivables](#)

# Directive on Public Money and Receivables

## 1. Effective date

- 1.1 This directive takes effect on April 1, 2017.
- 1.2 This directive replaces the following Treasury Board policy instruments:
  - Directive on Receipt, Deposit and Recording of Money (October 1, 2009)
  - Directive on Losses of Money or Property (October 1, 2009)
  - Directive on Receivables Management (October 1, 2009)
  - Directive on Financial Management of Pay Administration, subsections 6.5 and 6.6 (October 1, 2009)
  - Directive on Accountable Advances (October 1, 2009)
  - Directive on Loans and Loan Guarantees (October 1, 2009)
  - Directive on the Use of the Consolidated Revenue Fund for Crown Corporations, subsection 6.2 (October 1, 2009)

## 2. Authorities

- 2.1 This directive is issued pursuant to the authorities indicated in section 7 and subsection 9(3) 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

### Receipt, deposit and recording of public money

- 4.1 In relation to the receipt, deposit and recording of public money, the chief financial officer (CFO) is responsible for the following:
- 4.1.1 Ensuring that all public money received is safeguarded and recorded accurately;
  - 4.1.2 Ensuring that all public money received is promptly deposited in the Consolidated Revenue Fund to the credit of the Receiver General for Canada;
  - 4.1.3 Ensuring that periodic reconciliations are conducted between receipts and records of deposits;
  - 4.1.4 Ensuring that discrepancies noted in reconciliations are investigated, accounted for and resolved;

- 4.1.5 Ensuring that the department adheres to the banking arrangements established by the Receiver General;
- 4.1.6 Ensuring that segregation of duties is implemented between individuals who have responsibilities for receipts, deposits, recording of public money, credit granting, invoicing, collections and debt write-offs, subject to the following:
  - 4.1.6.1 If organizational structure, materiality or cost-effectiveness considerations do not allow for such segregation of duties, ensuring that alternative control measures are implemented and documented;

### **Fiscal year considerations**

- 4.1.7 Recording the following in the accounts of a fiscal year that just ended:
  - 4.1.7.1 Public money received by March 31 that is not credited by the Bank of Canada or any other financial institution to the Receiver General; and
  - 4.1.7.2 Public money received after March 31 that impacts on an appropriation as specified in the Year End Timetable and Procedures issued by the Receiver General;
- 4.1.8 Recording receipts of public money as refunds of previous year's expenditures when the receipts:

- 4.1.8.1 Relate to expenditures made in a prior fiscal year; and
- 4.1.8.2 Do not impact on an appropriation of the fiscal year that just ended;
- 4.1.9 Crediting refunds of Goods and Services Tax (GST), Harmonized Sales Tax (HST) or Quebec Sales Tax (QST) to the applicable refundable advance accounts of the current fiscal year;

### **Security deposits**

- 4.1.10 Safeguarding and managing security deposits received from contractors authorized according to the Government Contracts Regulations;
- 4.1.11 Paying simple interest on security deposits received from contractors deposited to the Consolidated Revenue Fund;
- 4.1.12 Ensuring that interest paid on contractors' security deposits (a statutory expenditure) is recovered from the Department of Finance Canada;
- 4.1.13 Ensuring that other security deposits that are received in respect of any debt, obligation, or claim are managed according to the legislation that authorizes the acceptance of such security deposits; and

### **Fraudulent receipt**

- 4.1.14 Notifying the departmental Chief Security Officer immediately of any suspected fraudulent receipts.

## Losses of public money or property

4.2 In relation to the losses of public money or property, the CFO is responsible for the following:

- 4.2.1 Establishing, monitoring and maintaining a risk-based departmental system of internal control to prevent losses of public money and property and detect them in a timely manner;
- 4.2.2 Ensuring that losses of public money and property are promptly and accurately recorded in the accounts of the department for applicable transactions;

### Recovery of loss

- 4.2.3 Ensuring that a claim is prepared against those responsible for a loss of public money or property when the loss is recoverable;
- 4.2.4 Including the following elements in the claim, when applicable, in addition to the value of the loss of public money or property calculated as specified in the Public Accounts Instructions issued by the Receiver General:
  - 4.2.4.1 The financing costs associated with the loss of public money that involves a fraudulent receipt or an unauthorized expenditure;
  - 4.2.4.2 Additional costs incurred or revenue lost as a result of public property not being available for its intended purpose;

- 4.2.4.3 The cost of recovery proceedings or enforced recovery; and
  - 4.2.4.4 The GST/HST, the QST, PST and any other applicable taxes, levies or duties;
- 4.2.5 Taking action to promptly recover any losses or shortages, including a cash shortage in petty cash, from the holder or custodian of an accountable advance unless all of the following conditions have been met:
  - 4.2.5.1 The prescribed procedures were followed and the public money was properly secured; and
  - 4.2.5.2 No act or omission on the part of the holder or custodian contributed to the loss;
- 4.2.6 Ensuring, when a manager of the holder or custodian of the advance assumes full or partial responsibility for the loss or shortage, that the following is confirmed in writing:
  - 4.2.6.1 The manager failed to ensure that adequate facilities and procedures were in place;
  - 4.2.6.2 The manager failed to provide adequate direction, instruction or supervision; or
  - 4.2.6.3 The manager allowed inappropriate practices to occur;
- 4.2.7 Recovering any losses or shortages promptly from the holder or custodian of the advance and/or that individual's

manager, when both share responsibility, and apportioning the recovery based on their respective culpability; and

## **Charging of loss**

4.2.8 Charging the loss of public money to a departmental appropriation when a disbursement is required to replenish a petty cash or change fund, if:

4.2.8.1 The loss is not the responsibility of the holder or custodian of the advance according to the conditions provided in subsection 4.2.5 of this directive; and

4.2.8.2 Approval is provided by a person with the appropriate delegated signing authority.

## **Receivables**

4.3 In relation to receivables, the CFO or the senior departmental managers designated by the deputy head are responsible for the following:

4.3.1 Ensuring that receivables are minimized, to the extent possible, by requiring payment in advance or at the time that goods and services are provided;

4.3.2 Granting credit only when it is an operational requirement;

4.3.3 Ensuring that debtors are fairly treated and informed of their rights and obligations under applicable acts, regulations, policies and directives;

- 4.3.4 Ensuring that all receivable transactions and related allowances for doubtful accounts are promptly and accurately recorded in the accounts of the department;

## **Collection**

- 4.3.5 Taking timely and cost-effective collection actions to pursue receivables, such as the use of a set-off;
- 4.3.6 Ensuring that upon request by another department or agent Crown corporation, the following information concerning a person that has a debt due to the Crown is provided to it (unless specifically prohibited by departmental or program legislation):
  - 4.3.6.1 The person's last known address and telephone number;
  - 4.3.6.2 The name and address of the person's last known employer; and
  - 4.3.6.3 Any payment coming due to the person; and

## **Debt deletion**

- 4.3.7 Taking timely action for write-off, remission or forgiveness of debts, or waiver of interests or administrative charges, when a receivable is not settled in full.

## **Employee departure process**

- 4.4 In relation to the employee departure process, the CFO is responsible for the following:



- 4.4.1 Ensuring, as part of a departure process, that an employee returns all public money owed, including outstanding accountable advances and any public property, before leaving the department; and
- 4.4.2 Ensuring, in collaboration with compensation services, that when a departing employee owes public money or has not accounted for public property, that a process is put in place to take recovery action and, if necessary, establish an account receivable.

## **Accountable advances**

- 4.5 In relation to accountable advances, the CFO is responsible for the following:
  - 4.5.1 Ensuring that accountable advances are issued only when required, used for the purpose for which they were issued, properly safeguarded, and reported on a timely basis;
  - 4.5.2 Seeking authority from Public Services and Procurement Canada to establish a standing advance unless separate authorities are available through departmental or program legislation;
  - 4.5.3 Charging temporary accountable advances to a departmental appropriation;
  - 4.5.4 Replenishing standing advances to their original value unless a decrease, increase or complete recovery is justified;

4.5.5 Ensuring that segregation of duties is implemented between individuals who are responsible for managing accountable advances, maintaining accounts receivable records, and verifying and certifying accounts for payment and requisition payments, subject to the following:

4.5.5.1 If organizational structure, materiality or cost-effectiveness considerations do not allow such segregation of duties, ensuring that alternative control measures are implemented and documented;

### **Petty cash and change fund**

4.5.6 Ensuring that petty cash funds are not used to make change and that petty cash or change funds are not used to provide salary advances, cash cheques or make loans;

4.5.7 Ensuring that petty cash expenditures are not split into two or more transactions in an attempt to avoid the limits prescribed by the Accountable Advances Regulations;

4.5.8 Ensuring that the custody of a petty cash or change fund is assigned to an individual and that an acknowledgement of responsibilities for the fund is documented; and

4.5.9 Ensuring that petty cash or change fund accounts are reconciled when a transfer between fund custodians takes place.

## Loans and loan guarantees

4.6 In relation to loans and loan guarantees, the CFO is responsible for the following:

4.6.1 Reviewing the terms and conditions of loans and loan guarantees before seeking approval from the Minister of Finance when the authorizing legislation does not detail the terms and conditions or the authority to modify terms and conditions.

4.7 In relation to loans and loan guarantees, senior departmental managers are responsible for the following:

4.7.1 Ensuring that terms and conditions for loans and loan guarantees are established, documented and appropriately authorized;

4.7.2 Ensuring that the terms and conditions not detailed in authorizing legislation for:

4.7.2.1 Loan programs for a class of recipients and loans for named recipients are approved by the Governor in Council on the recommendation of the Minister of Finance; and

4.7.2.2 Loan guarantee programs for a class of recipients and loan guarantees for named recipients are approved by the Minister of Finance;

4.7.3 Ensuring that loans and loan guarantees are structured to cover potential losses from non-performing loans, when appropriate and feasible;

- 4.7.4 Undertaking a periodic review of loan and loan guarantee program terms and conditions to validate a program's continuing relevance and operating criteria;
- 4.7.5 Conducting, in collaboration with the CFO, a periodic review of all loans and loan guarantees to determine the following:
  - 4.7.5.1 Compliance with agreement terms and conditions;
  - 4.7.5.2 A forecast of repayment potential;
  - 4.7.5.3 Provision for bad debt and any amounts to be written off;
  - 4.7.5.4 Appropriate accounting and reporting; and
  - 4.7.5.5 Any valuation adjustments required;
- 4.7.6 Ensuring that the net balance owing to the government from each loan recipient, including a repayment schedule and applicable interest provisions, is readily accessible in accounting records;
- 4.7.7 Applying the amount of any repayment to the entire sum of interest due at the time of each instalment, and then to the principal (unless the loan terms and conditions specify otherwise);
- 4.7.8 Ensuring that the appropriate instrument is used to obtain parliamentary authorization of loan guarantees, i.e.:

- 4.7.8.1 Loan guarantees for named recipients that can be listed individually in the Estimates may be authorized through an appropriation act; and
- 4.7.8.2 Loan guarantee programs are authorized through separate program legislation;
- 4.7.9 Ensuring that loan guarantee agreements include a provision whereby actual or expected defaults are communicated by the lenders to departmental officials in a timely manner; and
  - 4.7.9.1 When advised of an actual or expected default, follow-up action is to be taken immediately to ensure that the loan is recovered to the fullest extent possible.

## **Use of the Consolidated Revenue Fund for Crown corporations**

- 4.8 In relation to the use of the Consolidated Revenue Fund for Crown corporations, a senior officer of Department of Finance Canada, designated by the deputy head, is responsible for ensuring the following:
  - 4.8.1 Loans, advances and investments by the Government of Canada to a Crown corporation are authorized by legislation through an appropriation act or other act of Parliament;
  - 4.8.2 Loans and advances to a Crown corporation are made only when the following criteria are met:

- 4.8.2.1 There is reasonable certainty that the principal will be repaid; and
- 4.8.2.2 An acceptable rate of interest for loans, as established by the Minister of Finance, can be paid without seeking further parliamentary appropriations;
- 4.8.3 The deferment of a loan repayment until the start of operations is assessed where loans for capital expenditures to a Crown corporation are made before the relevant construction is completed; and
- 4.8.4 Investments in a Crown corporation are made only when the following criteria are met:
  - 4.8.4.1 The Crown corporation is self-sustaining;
  - 4.8.4.2 A return that is equivalent to the Crown's cost of borrowing will be earned over time; and
  - 4.8.4.3 There is reasonable certainty that the investment will be recovered.

## 5. Roles of other government organizations

- 5.1 Not applicable.

## 6. Application

- 6.1 This directive applies to the organizations listed in section 6 of the Policy on Financial Management.

# 7. References

## 7.1 Legislation

- Financial Administration Act (sections and subsections 2, 7, 9(3), 17, 20, 21(2), 23, 24.1, 25, 29, 38, 39, 41(1)(b), 76(4), 78, 155, 156 and 159)
- Receipt and Deposit of Public Money Regulations, 1997 (sections 2 and 3)
- Repayment of Receipts Regulations, 1997 (sections 1, 2 and 3)
- Government Contracts Regulations, Part II
- Debt Write-off Regulations, 1994 (sections 4, 5 and 6)
- Accountable Advances Regulations (sections 3, 4, 5, 6, 7 and 8)
- Interest and Administrative Charges Regulations (sections 9 and 12)
- Finance Vote L29g, Appropriation Act, No. 2, 1967 as amended by Supply and Services Vote L15b, Appropriation Act No. 3, 1990-91

## 7.2 Related policy instrument

- Receiver General Manual, Chapter 5, “Government Banking System and Departments” (subsection 5.2)

# 8. Enquiries

- 8.1 Members of the public may contact Treasury Board of Canada Secretariat Public Enquiries regarding any questions about this directive.

- 8.2 Individuals from departments should contact their departmental financial policy group regarding any questions about 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: Definitions

### **accountable advance (avance comptable)**

Refers to:

- a. A sum of money advanced to a person from an appropriation; and
- b. A sum of money advanced to a person from the sum of money described in paragraph a) for which the person is accountable and includes imprest funds and working capital advances administered under an imprest system. [Accountable Advances Regulations, section 2]

### **change fund (fonds d'appoint)**

The cash provided to a cashier or other individual for the purpose of making change. [Accountable Advances Regulations, section 2]

### **class of recipient (catégorie de bénéficiaires)**

Includes persons, organizations, or both (e.g., corporations, other governments) that meet the established eligibility criteria of an approved program.

### **forgiveness (renonciation)**

The deletion of a debt related to a non-budgetary expenditure that extinguishes the debt, waives the right of Her Majesty to reinstate the debt, and permits both the Crown and the debtor to remove the debt from their accounts.

### **holder or custodian (détenteur ou dépositaire)**



The individual to whom an accountable advance has been issued or who is responsible for the advance.

**loan (prêt)**

A financial asset of the government represented by a promise by a borrower to repay a specific amount, at a specified time or times, or on demand, usually with interest.

**loan guarantee (garantie d'emprunt)**

A promise that the government will repay a lender (e.g., a bank or other financial institution providing credit or funding to another party) the amount guaranteed, subject to the terms and conditions of an agreement, if the borrower defaults. The guarantee will reduce the lender's risk and should enable the borrower to obtain a loan at a lower interest rate or obtain a loan that might not otherwise have been obtainable.

**petty cash fund (petite caisse)**

Cash kept on hand under an imprest system for the purpose of making small payments in cash. [Accountable Advances Regulations, section 2]

**public money (fonds publics)**

All money belonging to Canada received and collected by the Receiver General or any other public officer in his or her official capacity or any person authorized to receive or collect such money. Public money includes the following:

- Duties and revenues of Canada;
- Money borrowed by Canada or received through the issue or sale of securities;
- Money received or collected for or on behalf of Canada; and
- All money that is paid to or received or collected by a public officer under or pursuant to any act, trust, treaty, undertaking or contract, and is to be disbursed for a purpose specified in or pursuant to that act, trust, treaty, undertaking or contract. [Financial Administration Act, section 2]

**public property (biens publics)**

All property (including data), other than money, belonging to Her Majesty in right of Canada. [Financial Administration Act, section 2]

**receivables (comptes débiteurs)**

Financial claims incurred through the tax system or arising from accrued revenues transactions, expenses overpayments and other recoverable payments that will result in a future inflow of cash.

**remission (remise)**

The deletion of a debt related to a budgetary expenditure that involves the cancellation of or release from an otherwise enforceable debt, tax, fee or penalty.

**security deposit (dépôt de garantie)**

Includes:

- A bill of exchange that is payable to the Receiver General and certified by an approved financial institution or drawn by an approved financial institution on itself;
- A government guaranteed bond; or
- Such other security as may be deemed appropriate by the contracting authority and approved by the Treasury Board.  
[Government Contracts Regulations, section 2]

**self-sustaining corporation (société financièrement autonome)**

A Crown corporation that is judged to be able to finance its operations and capital programs from internally generated funds and from funds that it could raise in the capital markets on its own credit.

**set-off (compensation)**

The reduction of a claim by deducting the amount of a valid compensating claim. A set-off by the federal government may be enacted by a specific statute or regulation or under the authority of section 155 of the Financial Administration Act.

**standing advance (avance permanente)**

An accountable advance issued in a specified amount for an indeterminate period and replenished to that specific amount each time an accounting for expenditures is made. [[Accountable Advances Regulations](#), section 2]

**waiver (dispense)**

A form of debt deletion involving only the interest and/or administrative charges related to a debt and done in accordance with sections 9 and 12 of the [Interest and Administrative Charges Regulations](#).

**write-off (radiation)**

An accounting action that reduces the amount of accounts receivable of a department or agency regarding a debt, or a part of a debt, that has been determined to be uncollectible. It does not forgive the debt or release the debtor from the obligation to pay; neither does it affect the right of the Crown to enforce collection in the future.

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