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## **Revision History**

<b>Revision No.</b>	<b>Date</b>	<b>Section(s)</b>	<b>Description</b>	<b>Approval</b>
1	25 March 2025		<p>Key Amendments include:</p> <ul style="list-style-type: none"><li>• Adds policy related to the exercising of Expenditure Initiation Authority and FAA Section 32 and reorganizes the policy material into three sub-processes, pre-payroll, payroll and post-payroll</li><li>• Updates the key stakeholders involved with Military Pay expenditures and outlines their roles and responsibilities</li><li>• Supports the implementation of Electronic Authentication and Authorization (EAA)/e-signatures within Military Pay processes</li><li>• Establishes the requirement that data analytics should be performed on payroll data in order to identify any potential issues or areas of concern</li><li>• Establishes a list of key definitions and acronyms used in the policy document.</li></ul>	Director General Strategic Financial Governance (DGSFG)

## **1. Effective Date**

- 1.1 This policy is effective on **25 March 2025**.
- 1.2 This policy replaces the previous version of Financial Administration Manual (FAM) Chapter 1023-2 Financial Administration of Military Pay, published on 4 November 2016.
- 1.3 The policy was approved by the Assistant Deputy Minister (Finance)/Chief Financial officer (ADM(Fin)/CFO) on **4 November 2016** and the amendment was approved by the Director General Strategic Financial Governance (DGSFG) on **25 March 2025**.

## **2. Application**

- 2.1 The purpose of this FAM chapter is to provide the Department of National Defence (DND) and the Canadian Armed Forces (CAF) with the Financial Management (FM) policy on military pay, benefits and allowances paid for or reimbursed using DND funds.

## **3. Context**

- 3.1 The spending of public money requires that integrity, accountability and transparency be maintained to a high standard. This requires the establishment of an end-to-end military pay process that maintains sound stewardship of financial resources. Financial authorities should be exercised in a cost-effective and efficient manner while maintaining the required level of control as detailed in this policy instrument.
- 3.2 The Treasury Board (TB) Guideline on Financial Management of Pay Administration and TB Guide to Delegating and Applying Spending and Financial Authorities require: the application of financial controls for pay-related expenditures; the implementation and management of payroll accounting and financial policies; and the establishment of management practices and controls to ensure compliance with Sections 32, 33, and 34 of the *Financial Administration Act* (FAA) and TB policy instruments. Due to the nature and complexity of its programs, the DND and the CAF are faced with unique situations that may not be addressed or fully articulated under TB guidelines. This policy is required to outline and explain the DND/CAF military payroll direction and practices in these circumstances and does not generally repeat any of the information in the TB policy instruments.
- 3.3 Accordingly, this policy must be applied in conjunction with and after reading the following:
  - TB Policy on Financial Management;
  - TB Directive on Delegation of Spending and Financial Authorities;
  - TB Guideline on Financial Management of Pay Administration; and
  - TB Guide to Delegating and Applying Spending and Financial Authorities.

- 3.4 See [Appendix A](#) for the definitions applicable to this policy and a list of acronyms used.
- 3.5 All financial documentation supporting the transactions must be retained for six years from the end of the fiscal year in which the transaction takes place. When a receivable is created, all documentation is retained until the account is cleared. When a criminal, disciplinary or recovery action is taken, all documentation must be retained and protected for six fiscal years after the process is completed.

## **4. Objectives and Expected Results**

- 4.1 The objectives of this policy are to:
  - Identify the DND/CAF key stakeholders involved with the FM of military pay expenditures and outline their roles and responsibilities; and
  - Provide direction on the DND/CAF FM policies and practices for the management of military pay that are not addressed in the TB Guideline on Financial Management of Pay Administration or TB Guide to Delegating and Applying Spending and Financial Authorities.
- 4.2 The expected results of implementing this policy are:
  - Effective governance and oversight over CAF military pay expenditures;
  - Effective internal controls over CAF military pay expenditures; and
  - Key DND/CAF stakeholders are aware of and understand their roles and responsibilities with respect to military pay expenditures.

## **5. Requirements**

- 5.1 The military pay administration process is divided into three sub-processes, pre-payroll, payroll and post-payroll:
  - The pre-payroll sub-process is completed prior to payment and includes the initiation of payroll transactions, recording of commitments and the verification and certification of pay related transactions.
  - The payroll sub-process includes the completion of the pre-payment quality assurance review, the exercising of payment authority and the issuance of payments to members of the CAF.
  - The post-payroll sub-process includes the post payment review of payroll transactions and the confirmation that transactions have been accurately posted in the Financial Management System (FMS).

### **Pre-payroll**

#### **General**

- 5.2 The purpose of the pre-payroll sub-process is to ensure that spending and financial authorities are properly exercised on military payroll transactions. Policy related to the

exercising of expenditure initiation authority, the verification of unencumbered balances and the recording of commitments (FAA Section 32) and the certification and verification of payroll transactions (FAA Section 34) is set out in Section 4.1 of the Guideline on Financial Management of Pay Administration. The following sections explain the additional pre-payroll policy that is applicable to the CAF.

### **Expenditure Initiation Authority**

- 5.3 Expenditure initiation authority is the first element of spending authority and the most critical step in the expenditure management process as it puts in motion a series of activities that ultimately lead to the disbursement of public funds. Readers should refer to columns 2 to 13 on the department's Delegation Instrument and associated Matrix for more information on this authority. Column 2 is specific to salaries and benefits and column 5 to foreign service benefits. When exercised by the appropriate delegated positions, these authorities allow for pay related actions and modifications to be initiated.
- 5.4 In the context of military pay, expenditure initiation authority is exercised on planning/HR related documents that represent a decision that funds will be spent from a particular budget for a specific purpose.
- 5.5 Although a signature on a signature block is not required when expenditure initiation authority and/or commitment authority are exercised, it is mandatory that auditable evidence be available that demonstrates that the authority was exercised. The auditable evidence may take the form of printed documents (e.g. a departmental form and may be signed electronically or in ink). The auditable evidence may also be electronic i.e. if it is processed through an approved Electronic Authentication and Authorization (EAA) system. Note that expenditure initiation authority and FAA Section 32 may be exercised simultaneously in that the same document may demonstrate the exercising of both authorities.

### **Confirmation of Funds Available – FAA Section 32**

- 5.6 The exercising of FAA Section 32 requires confirmation that funds are available for the planned transaction and the recording of a commitment in the FMS. Commitments related to military pay and allowances must be maintained throughout the year and amended as payroll costs are incurred by the department and paid to CAF members. The CMP Comptroller acts as the Responsibility Centre (RC) Manager for the Regular Force corporate payroll budget, while Reserve Force payroll budgets are the responsibility of Level 1 organizations and local Commanding Officers.
- 5.7 The TB Guideline on Financial Management of Pay Administration states that RC Managers are accountable for ensuring that pay related forecasts, and thus commitments, are maintained and are up to date. Financial priorities of the DND/CAF may change as a result of unexpected events and senior Managers must be able to assess the availability of funds by reviewing the free balance and unencumbered balance that could be used to address changing priorities.

### **Account Certification & Verification – FAA Section 34**

- 5.8 In the context of pay administration, FAA Section 34 is a two-step process:
- The verification of payroll transactions by Pay Administrators, Pay Managers and/or Military Pay Administration Officers (MPAO) prior to payment and the review of transactions after payment by RC Managers.
  - The exercising of certification authority (signified by an RC Manager or Pay & Benefits Officer's signature over the required certification on pay-related documents).
- Note that as payroll transactions are designated as low risk for the purposes of FAA Section 34 by DND, RC Managers are only required to perform a cursory verification of pay-related documents prior to exercising certification authority.
- Certification of Pay-Related Transactions – FAA Section 34**
- 5.9 Certification authority is derived from the RC Manager or Pay & Benefits Officer's signature on pay-related documents. The Military Human Resources Records Procedures (MHRPP) explain relevant administrative processes and procedures and must be consulted by individuals involved in the administration of payroll. Examples include but are not limited to:
- Regular Force service/enrollment forms such as the Enrollment Transfer Posting (ETP) Instruction and the Application for a Component Transfer to the Regular Force. Certification authority exercised on these forms is ongoing i.e. it extends to future (recurring) payments of pay and covers future statutory adjustments such as the annual (retroactive) pay increase and pay increment increases. Certification authority exercised on these forms does not extend to non-statutory payroll changes or modifications;
  - Regular Force payroll modification forms such as the Promotion Screening Form, Allowance Form, and other non-statutory changes to pay; and
  - Reserve Force forms such as the Route Letter, Class C Start Authority Message, Attendance Register and Promotion Message/Letter.
- 5.10 Certification authority is exercised when a delegated individual signs an electronic or hardcopy pay related form or document, or the transaction is digitally approved by way of an approved departmental EAA system or application. If paper or form based, it must be legible and include the written or electronic signature, the date, initials, surname and position of the person certifying the payment and the inscription: "CERTIFIED AS PER SECTION 34 OF THE FAA".
- 5.11 By signing the FAA Section 34 certification, the delegated individual is certifying that the pay related transactions are reasonable, accurate and legitimate in accordance with relevant regulations, Compensation and Benefits Instruction (CBI) entitlements,

orders in council, court orders, tribunal orders, legislation, policies and directives. Robust certification processes should be in place in order to ensure that pay related transactions are processed on a timely basis.

- 5.12 In cases where a delegated individual is to make charges against budgets held outside their organization (e.g. Corporate Pay Budget - Fund C103), they must ensure that a control framework is in place in accordance with the Special Considerations section of FAM Chapter 1014-4-1 Control of Financial Signing Authorities unless it is for the specific function of exercising FAA Section 34 and/or FAA Section 33 for pay (salaries and benefits) by Pay and Benefits Officers (Officers/Clerks) across the DND/CAF.

#### **Verification of Pay-Related Transactions – FAA Section 34**

- 5.13 In the context of pay administration, FAA Section 34 account verification is a multi-step process and is completed on both a pre-payment and post payment basis:
- Step one – The initial account verification is completed by unit Pay Administrators. This involves the validation of the accuracy of the transactions, confirmation that they are supported by appropriate documentation and are in accordance with DND/CAF regulations, policies, directives, and the Military Pay Administrative Instructions (MPAIs).
  - Step two – The second step of the account verification is completed by unit Pay Managers or MPAO. This verification involves ensuring that the amounts paid are accurate and correspond to the correct CAF member in the correct time period and is completed prior to approving pay transactions in CAF payroll systems.
- 5.14 The following account verification process must be performed on Regular Force and Reserve Force pay transactions:

<b>Step</b>	<b>Confirm and Verify That ...</b>
1	Payee information is accurate and complete and eligibility to receive the payment is confirmed.
2	All relevant court orders, tribunal orders, legislation including the <i>Income Tax Act</i> (ITA) and provincial or territorial income tax acts, regulations, financial management policies, directives, instructions, standards, guidelines, manuals, procedures, and tools have been complied with.
3	Amounts have been calculated accurately such that: <ol style="list-style-type: none"><li>i. Payment is not duplicated;</li><li>ii. Entitlements and source documents are accurate and complete;</li><li>iii. Credits have been deducted and charges not payable have been removed; and</li><li>iv. The payment total has been calculated correctly.</li></ol>

<b>Step</b>	<b>Confirm and Verify That ...</b>
4	The financial coding provided is accurate and complete.
5	Supporting documentation is complete (i.e. allows maintenance of an audit trail and proof of authorization according to the delegation of signing authorities).
6	No discrepancies or issues associated with the payment remain unresolved.

### **Payroll Documentation – FAA Section 34**

5.15 Payroll documentation can be electronic, or paper based or be from an approved EAA/e-signature system. A document is considered valid if the origin of the document can be proven. In the case of documents received by email, the RC Manager or a designated individual must retain the original documents and store them in an approved electronic repository or if not possible, print a copy for certification and or retention purposes. An RC Manager or designated individual should only accept scanned and emailed documents if the e-mail originates from an official e-mail address or one that has been verified.

#### **EAA/e-signatures**

5.16 The CFO has approved the use of Secure Electronic Signature (SES) for electronic approvals (i.e. that are provided by the designated-public key infrastructure) for the exercise of:

- Expenditure initiation authority, FAA Section 32, FAA Section 34 and FAA Section 33 and on departmental, central agency and/or locally produced documents and forms. RC Managers and Pay and Benefits Officers must comply with departmental financial procedures on the application of e-approvals when using a secure electronic signature to exercise delegated authorities referenced in this policy.
- Other authorities included in financial policies published by the CFO, e.g. write-off of debt, deeming of low-value amounts to be nil, and waiver or reduction of administration and interest charges (see A-FN-100-002/AG-006, Delegation of Authorities for Financial Administration for the Department of National Defence (DND) and the Canadian Armed Forces (CAF), for additional information).

5.17 The use of e-signatures and e-approvals to exercise delegated financial authorities in departmental systems and applications requires CFO review and approval prior to implementation. This is required in order to safeguard the integrity, accuracy, completeness of the financial transactions being approved and the proper functioning of controls. Readers should refer to DAOD 6002-8 Electronic Authentication and the Authorization and the ADM(Fin) Implementation Instructions for Financial E-approvals for more information.

- 5.18 MPAOs and Pay Managers designated to exercise authorities on Pay and Benefits Officers (Officers/Clerks) DoA forms do not require a control framework as they are delegated the authority to exercise FAA Section 34 and/or FAA Section 33 for pay (salaries and benefits) for the whole department.

### **Separation of Authorities**

- 5.19 The following functions are to be kept separate when responsibility is assigned to individuals involved in the expenditure management process:
- Certification of an account pursuant to FAA Section 34 (certification authority); and
  - Certification of requisitions for payment or settlement pursuant to FAA Section 33 (payment authority).
- 5.20 It is strongly recommended that confirmation of the provision of services (i.e. the CAF member reported for duty) be separated from certification of the account pursuant to FAA Section 34.

## **Payroll**

### **General**

- 5.21 The purpose of the payroll sub-process is to exercise payment authority under FAA Section 33 on pay related transactions. The process begins with the review of payroll requisitions and their reconciliation with the payroll data files in the Standard Payment System (SPS) and continues with the release of the electronic control files to the Receiver General (RG), the exercising of payment authority on the requisitions and issuance of payments to CAF members. Policy related to the payment and settlement process (FAA Section 33) is set out in Section 4.2 of the TB Guideline on Financial Management of Pay Administration. The following sections explain the additional pay policy that is applicable to the CAF.

### **Payment and Settlement Process – FAA Section 33**

- 5.22 All payments and interdepartmental settlements related to military pay must be certified pursuant to FAA Section 33. The payment and settlement process provides quality assurance of the adequacy of the FAA Section 34 account verification process and may be completed either before or after payment authority is applied. As pay transactions are deemed to be lower risk for the purposes of FAA Section 33 by DND, key components of the quality assurance program including confirmation that account verification (using a risk-based approach) and certification pursuant to FAA Section 34 have taken place, may be completed on a post payment basis.

### **Pre-Payment Verification (Quality Assurance)**

- 5.23 The pre-payment quality assurance review requires that Director Military Pay and Allowances Processing (DMPAP) Pay and Benefits Officers review payroll requisitions from payroll systems and reconcile them with the corresponding payroll

data files in the SPS. The reconciliation must be detailed enough to ensure that there are no significant errors while taking into account the time that is available prior to system driven approval dates.

### **Certification pursuant to FAA Section 33**

- 5.24 Once the Pay and Benefits Officers are satisfied that all requirements have been met, the payment requisitions are certified pursuant to FAA Section 33. The certifications may be completed electronically or in ink. In the case of one-time payments processed directly in the FMS (i.e. outside of payroll systems), the certification is completed on the supporting documentation.
- 5.25 The certification must be legible, appear by the signature and include the date, initials, surname and position of the person certifying the payment and the inscription: "CERTIFIED AS PER SECTION 33 OF THE FAA". The supporting documents must be retained on file for a minimum of six fiscal years from the end of the fiscal year that the records relate.

### **Post-payroll**

#### **General**

- 5.26 The purpose of the post-payroll sub-process is to complete the payroll administration and ensure that transactions are accurately posted in the FMS. Policy related to completion of the account verification process (FAA Section 34) and quality assurance (FAA Section 33) is set out in Section 4.3 of the TB Guideline on Financial Management of Pay Administration. The following sections explain the additional post-payroll policy that is applicable to the DND/CAF.

#### **Data Analytics & Quality Assurance**

- 5.27 Data analytics should be performed on payroll data in order to identify any potential issues or areas of concern.
- 5.28 The quality assurance conducted on a post-payment basis is the final component of the FAA Section 33 payment and settlement process. DMPAP Quality Assurance teams perform a risk-based review of pay transactions on a quarterly basis using a statistical sampling or a control frequency sampling methodology. DMPAP is responsible for determining what constitutes high and low risk transactions, for the process and the schedule of the reviews. The sample shall be of a sufficient size to demonstrate the overall adequacy and reliability of the account verification process in order to lead to increased confidence in the data. Readers should refer to Appendix B of the Guideline on Financial Management of Pay Administration for more information.
- 5.29 DMPAP Quality Assurance teams also perform a risk-based review of payroll transactions at bases, wings and units on a three-year rotating basis. DMPAP is responsible for determining the visit schedule and for considering trends or patterns

of behavior that suggests non-compliance with financial policies and procedures when doing so.

### **Completion of Account Verification**

- 5.30 As stated in paragraph 6.13, FAA Section 34 account verification is a multi-step process and is completed on both a pre-payment and post payment basis. The third and final step requires that RC Managers review posted payroll transactions on a regular basis, compare them to payroll forecasts in order to ensure that the charges correspond to the correct CAF member and time period, and that the correct financial coding was charged. Deviations from forecasted amounts should be reviewed and any follow-up action should be completed with DND/CAF compensation and benefits officers as appropriate. The review and analysis must be documented in order to satisfy the auditable evidence requirements associated with FAA Section 34 pre-payroll and post-payroll activities.

### **Income Tax, CPP, EI and other Withholdings**

- 5.31 Income tax, CPP and EI withholdings from a CAF member's pay must be remitted to the appropriate taxation authority. There are also withholdings for other deductions such as pension, health and dental plans that must be remitted to the appropriate authorities. The correct income tax status of an entitlement is required for compliance with income tax regulations and to ensure that the DND/CAF makes payment to the correct payee (i.e. the CAF member or to the tax authority). Furthermore, cash and non-cash employment benefits can have income tax consequences and may require withholdings against a CAF member's pay for remittance (payment) to the appropriate tax authority.
- 5.32 The CAF must issue tax slips in cases where payroll systems are unable to record and report employment income. For example, taxable benefits or allowances that are processed through the FMS or are received as a non-cash benefit (e.g. resulting from the write-off of a CAF member's debts, personal use of DND automobiles or gifts and awards over \$500, with some exceptions) and can't be recorded and reported in payroll systems. Readers should refer to FAM Chapter 1024-9 Taxable Benefits and Allowances and the Policy Memorandum for Guidance on Taxability of Employee Debt Write offs for more information.

### **Year End Process**

- 5.33 It is the policy of the Government of Canada to record liabilities to outside organizations and individuals incurred up to and including 31 March in each fiscal year and to charge them to existing appropriations.
- 5.34 Pay and allowances owed for work performed up to and including 31 March should be recorded as Payables at Year End (PAYE). As PAYEs represent a charge against an appropriation, they must undergo account verification and be certified pursuant to FAA Section 34 and 33 in accordance with departmental policies and procedures. RC Managers should refer to FAM Chapter 1014-4-1 Control of Financial Signing

Authorities, FAM Chapter 1021-1 Liabilities including PAYE, the annual year-end instructions and the Standard Operating Procedure – Payables at Year End.

### **Compulsory Deductions**

- 5.35 Acts such as the Garnishment, Attachment and Pension Diversion Act and the Family Orders and Agreements Enforcement Assistance Act permit creditors and others to receive, through the garnishment of pay, amounts owed to them. King's Regulations and Orders (KR&O), Chapter 207, regulates the garnishment of CAF members' pay in the form of compulsory payment deductions.

## **6. Roles and Responsibilities**

### **Deputy Minister**

- 6.1 The Deputy Minister (DM) is responsible for:
- Taking corrective actions in instances of non-compliance with those responsible for implementing the requirements of this policy instrument.

### **Assistant Deputy Minister (Finance)/Chief Financial Officer**

- 6.2 The ADM(Fin)/CFO is responsible for:
- The responsibilities outlined in Appendix E: Definitions of the TB Guideline on Financial Management of Pay Administration and section 4 of the TB Directive on Delegation of Spending and Financial Authorities;
  - Establishing risk-based policies and controls to ensure effective internal control over the financial management of pay administration;
  - Ensuring that controls relating to pay administration are identified, understood and applied;
  - Ensuring that effective controls are in place for all processes and systems that support pay administration to ensure accuracy, completeness, timeliness, and authorization;
  - Ensuring adequate recordkeeping to meet the requirements of the ITA, CPP, EI and provincial/territorial income tax legislation and pension legislation with respect to employment income, including taxable benefits and allowances paid or provided to CAF members in the tax year;
  - Determining training requirements for expenditure initiation authority and FAA Sections 32, 33 and 34 that are in addition to those required by TB policy documents; and
  - Ensuring that corrective actions are taken to address instances on non-compliance with this policy by a civilian, or in the case of a CAF member, notifying the military chain of command that corrective actions must be taken.

### **Chief Military Personnel (CMP)**

- 6.3 The CMP is responsible for:

- Ensuring the timely implementation of financial functional direction provided by the CFO;
- Ensuring that military pay procedures include efficient and effective departmental accounting processes and controls and are compliant with tax legislation;
- Ensuring authorities for financial administration delegated to a position within their organization are withdrawn or further restricted if they are being abused or used improperly, or if there is a requirement for greater control;
- Ensuring that individuals exercising Sections 34 and 33 of the FAA have the knowledge and skills to exercise their authorities appropriately;
- Ensuring that all processes and controls related to account verification and quality assurance are functioning in an efficient and timely manner;
- Ensuring that an FAA Section 33 Quality Assurance Program is implemented; and
- Ensuring compliance with this policy.

### **Canadian Forces Recruiting Group (CFRG)**

6.4 The CFRG is responsible for:

- Exercising expenditure initiation authority, FAA Section 32 and FAA Section 34 on Regular Force enrollment transactions on behalf of the CMP Comptroller, during the enrolment process. Note that for the Reserve Force, these financial authorities are exercised at the unit level during the enrolment process; and
- Ensuring compliance with this policy.

### **DMPAP**

6.5 The DMPAP is responsible for:

- Providing direction and guidance across the department on matters related to the financial management of military pay as set out by CFO;
- In keeping with the financial functional direction provided by the CFO:
  - Implementing a sound internal control framework around military pay;
  - Ensuring that individuals exercising FAA Section 33 payment authority have a valid DoA form duly completed and signed;
  - Exercising FAA Section 33 payment authority on all military pay transactions;
  - Ensuring that no one person exercises both FAA Section 34 certification authority and FAA Section 33 payment authority with respect to a particular payment;
  - Ensuring that no one exercises FAA Section 34 certification authority or FAA Section 33 payment authority for an expenditure from which they can directly or indirectly benefit;
  - Confirming that Pay and Benefits Officers exercising FAA Section 33 payment authority have the proper training, experience and knowledge to carry out these duties;
  - Conducting the FAA Section 33 Quality Assurance Program in order to identify significant difficulties, gaps in performance, or compliance issues

- and developing action plans with other Level one organizations to address any identified concerns or shortcomings;
- Conducting military pay Site Inspection Visits (SIVs) at bases, wings and units on a three-year rotating basis;
  - Determining what constitutes appropriate auditable evidence for the purpose of account verification pursuant to FAA Section 34;
  - Recovering overpayment and erroneous payment of pay and allowances from CAF members; and
  - Ensuring that a risk-based post-payment review of pay transactions is completed employing either statistical sampling or a control frequency sampling methodology and that data analytics techniques are employed to identify potential issues.
- Developing, updating and publishing military pay procedures that incorporate efficient and effective departmental accounting and controls by:
    - Ensuring that adequate processes, procedures and information management solutions are in place to identify, record and report employment income that is paid to or received by CAF members;
    - Requesting that DFPC review the FM components of DMPAP's military pay procedures, and incorporate DFPC's observations, as appropriate, prior to pay procedure finalization;
    - Adhering to the requirements of the ITA, and provincial or territorial income tax legislation for determining, recording and reporting the tax status of employment income;
    - Ensuring that all payroll transactions are correctly valued, adequately documented and reported in accordance with the ITA, CPP, EI and provincial or territorial income tax legislation;
    - Ensuring that applicable payroll deductions and withholdings are correctly applied and remitted to the appropriate tax authorities, and all required information returns filed on a timely basis;
    - Ensuring the accurate and timely filing of required tax slips and summaries; and
    - Ensuring relevant information received from RC Managers for any benefits and allowances that are processed outside the military pay system is appropriately identified, recorded and reported as described in this policy.
  - Inputting compulsory pay deductions for garnishment requests and notices of set-offs received from tax authorities into the payroll systems;
  - Processing garnishment payments as directed by Court Orders to beneficiaries and payments to tax authorities for set-offs; and
  - Ensuring appropriate corrective actions are taken to address instances of non-compliance with the requirements of this policy instrument.

### **Level One Advisors**

- 6.6 The Level One (L1) Advisors are responsible for:
- Ensuring compliance with the financial functional direction provided by the CFO over the control and processing of military pay transactions;
  - Ensuring compliance with pay procedures established by DMPAP;

- Ensuring compliance with DMPAP's FAA Section 33 Quality Assurance Program in order to identify significant difficulties, gaps in performance or compliance issues and develop action plans to address any identified concerns or shortcomings;
- Ensuring support and cooperation is provided to DMPAP's SIV team when visits are conducted at bases, wings and units;
- Ensuring that those designated to exercise spending and financial authorities have the knowledge and skills required to exercise their delegated signing authority; and
- Ensuring authorities for financial administration delegated to a position within their organization are withdrawn or further restricted if they are being abused or used improperly, or if there is a requirement for greater control.

### **Level One Comptrollers**

6.7 The Level One (L1) Comptrollers are responsible for:

- Ensuring that individuals designated to exercise spending and financial authorities over military pay have the knowledge and skills required to exercise their delegated signing authority;
- Ensuring that all staff within their organization who are involved in the financial management of military pay fully understand this policy;
- Ensuring that all processes and controls associated with the financial management of military pay within their organization are working effectively; and
- Ensuring authorities for financial administration delegated to a position within their organization are withdrawn or further restricted if they are being abused or used improperly, or if there is a requirement for greater control.

### **Director General Strategic Financial Governance**

6.8 The Director General Strategic Financial Governance (DGSFG) is responsible for:

- Ensuring that this policy takes into consideration the unique situations and circumstances of the CAF that are not addressed in TB policy documents;
- Ensuring that departmental financial systems adequately support the management of military pay expenditures, including forecasting and financial reporting;
- Ensuring that key controls related to the management of military pay are reviewed and recommendations for improvement based on the results of the assessments are provided to DMPAP; and
- Ensuring that the FM component of DMPAP's military pay procedures are reviewed prior to finalization to ensure compliance with applicable legislative and financial policy instruments.

### **Director Financial Policy and Controls (DFPC)**

6.9 The Director Financial Policy and Controls (DFPC) is responsible for:

- Developing and promulgating policies on the financial management of military pay;
- Reviewing the FM component of DMPAP's military pay procedures prior to their finalization to ensure compliance with applicable legislative and financial policy instruments;
- Providing policy interpretation and clarification assistance to the CFO, L1 Comptrollers and DMPAP;
- Assessing quality assurance programs and making recommendations based on the results of the assessments;
- Assessing the effectiveness of key controls related to military pay and recommendations for improvement based on the results of the assessments are provided to DMPAP;
- Reporting on the status of the assessments and completing the annual summary for inclusion as an Annex to the departmental financial statements; and
- Tracking and reporting on the status of remediation action plans.

### **Responsibility Centre Managers**

6.10 The RC Managers are responsible for:

- Ensuring that expenditure initiation authority, FAA Section 32 and FAA Section 34 are exercised on pay related transactions in accordance with this policy instrument;
- Completing the post-payroll review of pay transactions charged to their budgets on a regular basis to ensure that the amounts paid are reasonable, correspond to the correct employee and correct time period, and that the correct financial coding was charged;
- Ensuring that payroll transactions not processed through payroll systems are identified and forwarded to DMPAP for recording and reporting;
- Ensuring that incorrect payroll transactions are addressed/corrected in a timely manner;
- Ensuring that salary forecasts and commitments are reviewed and updated on a regular basis to ensure they are accurate;
- Ensure that PAYEs are created where required for payroll expenditures; and
- Ensuring that the relevant information for any pay related transactions, including taxable benefits and allowances that are processed outside military payroll systems are appropriately identified and communicated to DMPAP.

### **Commanding Officers**

6.11 Commanding Officers are responsible for:

- Acknowledging in writing the responsibilities related to the operation of a Pay Office;
- Ensuring that an MPAO is appointed;
- Ensuring compliance with the financial functional direction provided by the CFO over the control and processing of military pay transactions;
- Ensuring compliance with pay procedures established by DMPAP;

- Ensuring that those designated to exercise expenditure initiation authority, FAA Section 32 FAA and/or Section 34 have the knowledge and certification required to exercise their delegated signing authority;
- Ensuring authorities for financial administration delegated to a position within their organization are withdrawn or further restricted if they are being abused or used improperly, or if there is a requirement for greater control;
- Providing support and cooperation to DMPAP's SIV team when visits are conducted at bases, wings and units; and
- Ensuring compliance with DMPAP's FAA Section 33 Quality Assurance (QA) Program in order to identify significant difficulties, gaps in performance or compliance issues and develop action plans to address any identified concerns or shortcomings.

### **Pay Managers/MPAOs**

- 6.12 Pay Managers/MPAOs are responsible for:
- Ensuring oversight of the payroll expenditure management process under their program area;
  - Acknowledging in writing the responsibilities related to the custody, control, maintenance and dispatch of all pay administration documentation that is under their control;
  - Ensuring that pay transactions are verified in a cost-effective and efficient manner i.e. amount paid is accurate and the correct financial coding has been used and that all relevant statutes, regulations, orders in council, policies and directives and other legal obligations have been complied with;
  - Ensuring individuals tasked with account verification duties have the appropriate training and experience to perform the account verification tasks;
  - Ensuring all personnel required to exercise Section 34 have a valid DoA form duly completed and signed;
  - Ensuring support and cooperation is provided to DMPAP's SIV team when visits are conducted at bases, wings and units; and
  - Ensuring compliance with this policy.

### **Base/Wing/Unit Pay Administrators**

- 6.13 Base/Wing/Unit Pay Administrators are responsible for:
- Completing the steps of the account verification process for military pay transactions;
  - Segregating the pay account of the Pay Manager or MPAO in order to ensure that pay transactions are approved by a different individual;
  - Informing their supervisor of any issues that would prevent them from completing the account verification process; and
  - Ensuring compliance with this policy.

## **7. Consequences of Non-Compliance**

- 7.1 Under the TB Policy on Financial Management, the DM is responsible for investigating and acting when significant issues regarding policy compliance arise, and ensuring that appropriate remedial action is taken to address such issues within DND/CAF. The TB Framework for the Management of Compliance provides guidance on the considerations for determining the possible mix of consequences, which include the impact of the non-compliance, whether there has been a history of non-compliance, was there intent and other circumstances.
- 7.2 To support the DM's responsibility under the TB Policy on Financial Management, the ADM(FIN)/CFO or in the case of a member of the CAF, the military chain of command at the ADM(FIN)/CFO's direction, must ensure corrective actions are taken to address instances of non-compliance with this policy. Corrective actions can include a requirement for additional training, changes to procedures or systems, removal or suspension of delegated financial authorities on a temporary or permanent basis, disciplinary action or other measures as appropriate.

## **8. References**

### **8.1 Legislation and Regulations**

[Financial Administration Act](#)  
[Canadian Income Tax Act](#)  
[Canadian Income Tax Regulations](#)  
[Quebec Taxation Act](#)  
[Quebec Tax Administration Act](#)  
[Canada Pension Plan](#)  
[Employment Insurance Act](#)

### **8.2 Treasury Board and Central Agency FM Policy Instruments**

[TB Policy on Financial Management](#)  
[TB Directive on Delegation of Spending and Financial Authorities](#)  
[TB Guideline on Financial Management of Pay Administration](#)  
[TB Guide to Delegating and Applying Spending and Financial Authorities](#)

### **8.3 DND/CAF FM Policies**

[Delegation of Authorities for Financial Administration for the Department of National Defence \(DND\) and the Canadian Armed Forces \(CAF\)](#)  
[FAM Chapter 1014-4-1, Control of Financial Signing Authorities](#)  
[FAM Chapter 1024-9, Taxable Benefits and Allowances](#)  
[Policy Memorandum for Guidance on the Taxable Benefit Implications Resulting from the Write-off of Department of National Defence \(DND\) Employees'/Canadian Armed forces \(CAF\) Members' Debts](#)  
[DAOD 6002-8, Electronic Authentication and Authorization](#)

### **8.4 DND/CAF FM Guides, Forms and Other Tools**

[Compensation and Benefits Instructions](#)

[Military Pay Administrative Instructions](#)  
[Standard Operating Procedure – Payables at Year End](#)

## **9. Enquiries**

- 9.1 Questions on policy interpretation and clarification are to be addressed to the appropriate Comptroller.
- 9.2 If the local Comptroller requires assistance, the question will be escalated through the financial chain of command.
- 9.3 If the L1 Comptroller needs guidance on the matter(s) raised, the L1 Comptroller may contact the Chief Military Personnel.
- 9.4 If the Chief Military Personnel needs guidance on the matter(s) raised, they may contact DFPC.

## **Appendix A – Definitions and Acronyms**

### **Definitions**

**Commitment (*engagement*)** is an obligation to make a payment as a result of an agreement made in good faith with other parties.

**Electronic Authentication (*authentification électronique*)** is the process by which an individual (a person, an organization or device) is verified as a unique and legitimate use.

**Electronic authorization (*autorisation électronique*)** is the process by which an authenticated user is granted the capability to render electronic approvals and discharge those authorities in electronic financial transactions.

**Financial Management System (*système de gestion financière*)** is any combination of business processes (end-to-end, automated and manual), procedures, controls, data and software applications, all of which are categorized as either a departmental financial and materiel management system or program system or central system that produces financial information and related non-financial information. The DND/CAF's departmental FMS includes Defence Resource Management Information System (DRMIS), Central Computerized Pay System (CCPS), Revised Pay System for the Reserves (RPSR) and would also include any future replacements of these systems.

**Pay and Benefits Officers (Officers/Clerks) (*Agents de la rémunération et des avantages sociaux (agents/commis)*)** are the incumbents of positions that are designated to exercise authority under Section 33 of the FAA and/or under Section 34 of the FAA for pay (salaries and benefits) related expenditures.

**Quality Assurance (assurance de la qualité)** is the portion of the FAA Section 33 payment and settlement process where Pay and Benefits Officers confirm the adequacy of the account verification process through the completion of pre-payment and post payment verifications.

**Unencumbered Balance (*soldé inutilisé du crédit*)** is the amount that is free of any claim against the appropriation.

### **Acronyms**

- ADM(Fin)/CFO – Assistant Deputy Minister (Finance)/Chief Financial Officer  
CAF – Canadian Armed Forces  
CBI – Compensation and Benefits Instructions  
CFRG – Canadian Forces Recruiting Group  
CMP – Chief Military Personnel  
DFPC – Director Financial Policy and Controls  
DGSFG – Director General Strategic Financial Governance  
DM – Deputy Minister  
DMPAP – Director Military Pay and Allowances Processing  
DND – Department of National Defence  
EAA – Electronic Authentication and Authorization  
ETP – Enrolment Transfer Posting  
FAA – *Financial Administration Act*  
FAM – Financial Administration Manual  
FM – Financial Management  
FMS – Financial Management System  
ITA – *Income Tax Act*  
KR&O – King's Regulations and Orders  
L1 – Level One  
MHRRP – Military Human Resources Records Procedures  
MPAI – Military Pay Administrative Instructions  
MPAO – Military Pay Administration Officers  
PAYE – Payables at Year End  
QA – Quality Assurance  
RC – Responsibility Centre  
RG – Receiver General

**National Defence – Assistant Deputy Minister (Finance)  
Financial Administration Manual (FAM) Chapter 1023-2 Financial Management of Military  
Pay**

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SES – Secure Electronic Signature

SIV – Site Inspection Visit

SPS – Standard Payment System

TB – Treasury Board