

Frequently Asked Questions About Government Payment Authorities

Provincial Comptroller's Office

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Purpose of this document

This publication is intended to act as a summary reference for issues that frequently arise concerning Government payment processes. It is intended to give general direction and will not address all circumstances. In many cases, more detailed information will be required to fully analyze and resolve an issue.

Who should read this document?

This document has been provided to assist those involved with initiating, approving or processing government payments. In particular, it is intended to be used by deputy ministers and other senior managers, program managers and corporate services heads and their staff.

Where are copies of this document available?

This document is prepared by the Provincial Comptroller's Office, Ministry of Finance. Additional copies are available on-line at

<https://publications.saskatchewan.ca/#/products/30256>

Where do I find the documents referenced in this document?

The Financial Administration Manual is available on-line at: <http://applications.saskatchewan.ca/FAM>

The Financial Administration Act, 1993 is available on Publications Saskatchewan at:

<https://publications.saskatchewan.ca/#/products/519>

Other Resource

[Making Payments in Government \(Government Training\)](#)

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Each ministry has an individual in the role of chief financial officer; typically this is the corporate services head. This individual and his/her senior staff need to be the acknowledged experts in their ministry regarding payment processes and authorities.

Ultimate responsibility for the integrity of payments resides with the deputy minister; however, day-to-day responsibility for this function (including advising the deputy minister on such issues) resides with the corporate services head.

To fulfill this role, the corporate services head must have a good understanding of principles of internal control, as well as the specific rules and authorities that apply to government payments. They should be able to identify the legislative and regulatory authority that supports payments under each program in their ministry's budget, and they should have an awareness of specific types of payments to which special rules apply (e.g., travel costs). They also need a sound knowledge of accrual accounting (to determine the timing of expense recognition) and a detailed understanding of the principles of appropriation control.

These individuals need to keep abreast of relevant developments that affect payment processes. This would include, for example, activities such as:

- developing familiarity with relevant provisions of the Financial Administration Manual, as well as any updates to this document;
- developing knowledge of legislation governing payments, particularly *The Financial Administration Act, 1993*;
- keeping abreast of relevant legislative and regulatory changes, monitoring changes in accounting recommendations from the Public Sector Accounting Board (PSAB); and,
- attending professional development courses, as needed.

When faced with a situation that is beyond their expertise, these individuals are responsible for obtaining advice from the Provincial Comptroller's Office of the Ministry of Finance or their Crown counsel at the Ministry of Justice and Attorney General, depending on what is warranted by the circumstances.

The final aspect of this role is ensuring that program staff and ministry executives are properly educated about the basic principles of payment processes, as well as the need to contact their corporate services head and their senior staff about any questions or issues as they arise. One option for achieving this is to include this information in the briefing material that is provided to new deputy ministers and other senior executives.

QUESTION 1

What do corporate services heads and their senior staff need to know about Government payment authorities?

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QUESTION 2
What do program
managers need to know
about Government
payment authorities?

Program managers cannot be expected to be experts in this area; however, they need sufficient knowledge about Government payment processes and authorities.

In particular, these individuals need to be aware of the payment approval authorities that have been delegated to them, along with the legislative and regulatory authority governing all amounts that they approve.

In addition, they require knowledge of the types of payments to which special rules apply (e.g., out-of-province travel costs, banquet expenses, etc.), as these individuals are typically responsible for the incurrence of such costs. To obtain this knowledge, program managers need an awareness of the existence of the Financial Administration Manual, as well as the type of guidance that it provides. With this knowledge, program managers should be capable of contacting their corporate services head or their senior staff for advice on payment authorities or processes when necessary, and they should do so before making commitments that may cause problems at the point of payment.

Deputy ministers have the ultimate responsibility for the integrity of payments in their ministries. Although they are not expected to be experts in this area, deputy ministers, assistant/associate deputy ministers and senior managers require sufficient knowledge about Government payment processes and authorities. In addition, they must have systems in place to ensure that government payment authorities are being followed.

In all cases these individuals need to be aware of the types of payments that they are allowed to approve, and they also require knowledge of the types of payments to which special rules apply (e.g., out-of-province travel costs, banquet expenses, etc.), as these individuals are sometimes responsible for the incurrence of such costs. Specifically, it is important to realize that there is no authority to override the provisions of Treasury Board policy outlined in the Financial Administration Manual. It is helpful to understand the purpose of Treasury Board policy is to assist government employees to carry out their duties with an appropriate degree of fiscal responsibility.

In the event of an improper payment, senior managers are the people who will be called to account by Treasury Board and/or the Standing Committee on Public Accounts.

Deputy ministers and other senior managers should rely upon their corporate services head and their senior staff for advice on payment authorities and processes where necessary. It is important that they make this contact for advice on payment authorities or processes when necessary, and they should do so before making commitments that may cause problems at the point of payment.

QUESTION 3
What do deputy ministers and other senior managers need to know about Government payment authorities?

QUESTION 4
What are the basic forms
of authority that are
needed to make a
payment in the
Government?

Three basic forms of authority are generally required to make a payment. These are as follows:

1. The ministry requires legislative or regulatory authority to enter a transaction, and it should be able to cite the relevant legislation or regulations that apply to any given payment.
2. An appropriation must exist that is both sufficient and suitable to receive the expense. An appropriation qualifies as “suitable” if the wording of the Budget Estimates is sufficiently broad to encompass the nature of the amount being charged to it.
3. Legislative or regulatory authority must be exercised by having an individual certify the lawfulness, propriety and accuracy of a proposed payment. Depending on the nature of the payment, a number of other steps may also be required at this stage. Such steps could include, for example, the need for deputy minister approval, the need for an Order in Council, or the need to comply with the tendering rules for purchasing.

The different forms of authority are designed to work in concert to create a framework that can be applied to any type of payment.

Legislation is the most basic form of authority that must exist for a payment to be made. Legislation is often accompanied by regulations. Regulations are an extension of a piece of legislation, and carry similar authority.

Relevant legislation includes both program-specific legislation, as well as general laws, such as *The Financial Administration Act, 1993* (see questions #6 and #7).

All ministry programs are authorized in some fashion by legislation and regulations, so program staff and corporate services staff in a ministry should be able to identify the legislative and regulatory authority for each ministry program for which they are responsible and each payment made.

Legislation and regulations are available on-line at the following website:
<https://publications.saskatchewan.ca/#/freelaw>

QUESTION 5
What is the role of legislation and regulations in Government payment processes?

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QUESTION 6
How do general laws
influence Government
payment processes?

In addition to program-specific legislation, there are a number of general laws that may impose things that must be done for a given transaction.

The most important general law governing payments is *The Financial Administration Act, 1993* (see question #7). Other key laws that affect payments are:

- *The Executive Government Administration Act* (which provides authority for ministries to enter agreements, make grants and provide financial assistance);
- *The Purchasing Act, 2004* (which governs the acquisition of supplies); and,
- *The Legislation Act* (which provides authority on delegations).

Ministries should seek advice from their Crown counsel, if required, to identify legal authority for a particular transaction or in the event they perceive there is a conflict between a general law and the provisions of their program-specific legislation.

The Financial Administration Act, 1993 (FAA) is the most important general law that affects payments. This piece of legislation contains a number of things that must be done for any payment.

In the context of government payment processes, one of the most important parts of the FAA is Section 30. This section states that a payment can only be made if certified by the applicable minister, deputy minister or appropriate delegate that goods and services are received and the payment is in accordance with the contract or reasonable, or that the payee is entitled to receive payment.

Section 31 of the FAA contains another key provision concerning the exercise of payment authority, as it requires each payment to be requisitioned by a ministry and that a delegated individual certify the lawfulness, propriety and accuracy of a proposed payment. The authority to requisition a payment under Section 31 is based on a delegation from the ministry's deputy minister.

These certifications typically occur together and are delegated to program staff. Thus, it is important for program staff to have at least sufficient knowledge of allowable expenses and delegation authorities; otherwise, there is a risk that these people will certify inappropriate costs.

Appendix F in the Financial Administration Manual (FAM) lists delegation authorities for sensitive payments, such as out-of-province travel and banquet expenses. Ministries cannot override Treasury Board policy by delegating these costs to less senior staff than specified by FAM. Likewise, a deputy minister or minister has no authority to override policies in FAM.

The FAA also contains the key legislative provisions governing the operation of appropriations in the following sections:

- Estimates (12)
- Virements (13)
- Special warrants (14)
- Interim appropriation (14.1)
- Requisitions for payment (31)
- Rejection and confirmation of requisitions for payment (32)
- Expenses limited to appropriations (33)
- Disbursement after the end of the fiscal year (37)

QUESTION 7

What is the role of *The Financial Administration Act, 1993* in Government payment processes?

QUESTION 8
How is legislative and
regulatory authority
exercised in the payment
process?

After a ministry has identified the applicable legislative and/or regulatory authority for making a payment, there are a number of other rules that must be observed. Collectively, these are referred to as the exercise of authority.

Some of these rules are contained in Sections 30 and 31 of *The Financial Administration Act, 1993* (see question #7); however, other key authorities are contained in the Financial Administration Manual and applicable Orders in Council and agreements. In other words, the exercise of authority is dependent on the nature of the payment being made.

The Financial Administration Manual (FAM) communicates Treasury Board's policies and the Provincial Comptroller's directives to ministries and public agencies. These financial policies and directives are made pursuant to *The Financial Administration Act, 1993*.

FAM contains considerable guidance on the requirements for making payments in the Government, and it provides more detailed direction on payment processes than would normally be found in legislation or regulations. In particular:

- Section 3101 of FAM defines the payment responsibilities of ministries; and,
- Appendix F lists delegation authorities that govern sensitive payment, such as out-of-province travel and banquet expenses.

FAM is maintained by the Financial Management Branch of the Provincial Comptroller's Office of the Ministry of Finance. An electronic version of FAM is available at <http://applications.saskatchewan.ca/fam>.

QUESTION 9
How do the provisions of the Financial Administration Manual affect payment processes?

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QUESTION 10
What is the role of
internal control in
Government payment
processes?

Internal control is a broad concept. In the context of payments, an effective system of internal control helps to ensure that payments are authorized, legitimate, and correct.

Each ministry is responsible for establishing and maintaining an adequate system of internal control as part of its deputy minister's responsibility for the integrity of the ministry's payments.

A key component of internal control is ensuring that an appropriate segregation of duties is in place. This means that no single employee should be able to see a transaction through from beginning to end. In other words, no employee should be able to order and receive goods and request and approve payment of the invoice.

There are seven basic steps associated with processing a payment in executive government. For invoices, including other payment requests, that are processed through Central Accounts Payable (CAP), the steps are as follows:

1. Supplier prepares invoice and sends it to ministry. Ministry sends invoices payable to CAP for processing. Note: PCard transactions are not forwarded to CAP.
2. CAP scans and enters invoice data into MIDAS and forwards invoice electronically to ministry contact.
3. Ministry contact verifies and records goods and services are received, and then enters account coding.
4. Ministry contact submits invoice for payment approval. Approval is provided electronically by an independent individual with delegated authority (to certify as lawful, proper and accurately allocated/coded, including goods and services received or payee is eligible for payment under *The Financial Administration Act, 1993* (FAA s30 & s31)). Independent means there is adequate segregation of duties.
5. Invoice transaction is forwarded electronically to the Ministry of Finance for payment. According to established risk based audit criteria, invoices may be subject to a CAP prepayment audit review.
6. Based on previous steps, the Ministry of Finance generates payments from MIDAS.
 - Payments originate from Finance and are sent to suppliers in 99% of cases.
 - Cheques are returned to the ministry in rare cases. In less than 1% of cases, cheques are sent to the attention of the ministry's corporate services for proper distribution. There are special processes for such situations to minimize the risk of fraud. These can be found in Appendix H of the Financial Administration Manual.
7. Payments are reported back to ministries on a monthly basis for scrutiny by branch managers. Managers review MIDAS reports of completed transactions on a timely basis and follow up on any errors, variances, or other issues. Managers initial and date the reports to evidence their review.

Who can approve a particular payment generally depends on the nature of the payment and its dollar amount. Some payments can only be approved by the deputy minister.

QUESTION 11

What are the key steps in processing a payment?

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QUESTION 12
Who can approve an
item for payment in the
Government?

Typically, a deputy minister will delegate, in writing, the authority to approve payments under *The Financial Administration Act, 1993*, sections 30 and 31, to a number of individuals in his/her ministry, and the ministry will maintain a list of these individuals. Who can approve a particular payment generally depends on the nature of the payment and its dollar amount.

Ministries must note that Treasury Board policy and the Provincial Comptroller directives govern who is permitted to approve certain types of payments. For example, certain expenses can only be approved by a deputy minister, and others can only be approved by the Deputy Minister to the Premier. Appendix F to the Financial Administration Manual contains a list of items for which special delegation rules apply.

The ministry's list of delegated signing authorities cannot override the delegation rules established by Treasury Board or the Provincial Comptroller. In other words, the list must conform to these rules.

According to Section 33 of *The Financial Administration Act, 1993*, a ministry must have a sufficient and suitable appropriation to incur an expense.

It is the ministry's responsibility to ensure that budgetary appropriations are not exceeded. The MIDAS financial system prevents a ministry from making a cash payment that would exceed an appropriation; however, ministries must be aware that accrual accounting can require expenses to be recognized in the absence of a cash disbursement.

In addition to ensuring that a sufficient appropriation exists for each expense, ministries must also ensure that every charge is appropriate for the subvote being charged. In other words, the wording of the Budget Estimates must be sufficiently broad to encompass the nature of the amount being charged.

If a ministry is concerned that it might overspend its budget in a subvote, it can attempt to obtain a virement. A virement transfers budget room from one subvote to another within the same vote. Virements require the approval of the Minister of Finance. It is important to note that a ministry is not allowed to temporarily charge an expense to an improper subvote in anticipation of receiving a virement, regardless of the likelihood that the virement will be approved.

Although virements enable budget amounts to be transferred between subvotes, under no circumstances can amounts be transferred between votes (i.e., between ministries).

If a ministry thinks that it might overspend its vote (i.e., the entire budget for the ministry), it must apply for additional budgetary funding. If the Legislative Assembly is in session, this means an appropriation bill. If it is not in session, the ministry can apply for a special warrant. Special warrants require approval of the Lieutenant Governor in Council.

A ministry should talk to its Treasury Board Branch analyst at the Ministry of Finance if the need for a virement or a special warrant is anticipated.

QUESTION 13

What issues are associated with appropriation control?

QUESTION 14

What authority exists for a ministry to make payments if the Budget has not been passed by the start of the fiscal year?

In most years, the Budget for the new fiscal year is not approved by the Legislative Assembly prior to April 1. In these circumstances, Section 14.1 of *The Financial Administration Act, 1993* (FAA) provides authority for payments to be made in the absence of a Budget if certain conditions are met.

Specifically, ministries are allowed to spend up to two-twelfths of the previous year's appropriation for a given program. Any amounts paid under this authority are treated as expenses of the current fiscal year, and will count against the current year's Budget after it is approved.

No amounts can be paid for programs that did not exist in the previous fiscal year. In addition, no amounts can be paid in respect of a program that existed in the prior fiscal year but is not provided for in the current year's Budget (this is only applicable if the current year's Budget has been presented to the Legislative Assembly).

With this funding, ministries are able to operate until the Budget is approved by the normal Completion Day of the legislative session. The normal Completion Day is the Thursday before Victoria Day in May.

If a ministry has incurred an expense, the amount must be recorded regardless of whether a sufficient budgetary appropriation remains. In other words, a ministry cannot avoid exceeding an appropriation by not recording a transaction or by recording it in the subsequent fiscal year. Non-cash expenses must be accrued at the year end. In very rare instances, this may cause a ministry to incur expenses that exceed its budgetary appropriation for the fiscal year.

When a ministry exceeds its budget for a fiscal year, the amount of overspending becomes a first charge against the following year's appropriation. This results in the following year's budget being permanently reduced by the amount of the overspending.

Overspending an appropriation is a serious matter, as it violates the amount approved by law in the Legislative Assembly. Overspending will be reported by both the Provincial Comptroller and the Provincial Auditor. In addition, senior officials from the ministry will be required to explain the overspending to Treasury Board and to the Standing Committee on Public Accounts. This is an all-party committee of Members of the Legislative Assembly that reviews the Public Accounts and the reports of the Provincial Auditor.

QUESTION 15

What happens if a ministry exceeds its appropriation for a fiscal year?

QUESTION 16
What issues are caused
by accrual accounting?

The most significant issue posed by accrual accounting is the fact that expenses can be incurred in the absence of a cash disbursement. This is a critical concept for corporate services staff, but it is also important for program managers and senior management.

As a general rule of thumb, accrual accounting is of particular significance:

- early in the fiscal year, as disbursements may have been expenses of a prior year;
- late in the fiscal year, as expenses may need to be recorded even though no cash has been disbursed; and,
- with respect to multi-year transfer agreements, as they may require an expense to be recorded immediately for the full value of the agreement, even though the agreement may pertain to activities that are scheduled to occur over several years.

The complexity of accounting for multi-year agreements means that it is very important that corporate services heads or their senior staff review such agreements before they are signed. In particularly difficult situations, it may be advisable to obtain advice from the Provincial Comptroller's Office at the Ministry of Finance.

An additional anomaly of accrual accounting concerns the treatment of capital assets (e.g., buildings, computers, etc.). For budgeting purposes, the entire value of an acquired asset is counted against a ministry's appropriation. For accounting purposes, capital assets are amortized over their useful lives, so only a portion of the original cost of the asset is recorded as an expense in a given year.

Therefore, a ministry must monitor its capital asset acquisitions for budgetary purposes, while recording amortization on its capital assets for accounting purposes.

Transfers are amounts provided to third parties in return for which no goods and services are received and no future repayments or returns are expected. Because nothing is received in return, it can be difficult to determine the time at which such amounts should be recorded as expenses.

The rule is that transfers are counted as expenses when they are authorized by the transferring government and eligibility criteria, if any, have been met by the recipient. Authorization requires first, the enabling authority to be in place by the statement date, and second, the transferring government must exercise the authority provided to it by the enabling authority. The wording of legislation, regulations, the contract or agreement, or the timing of an Order in Council or an approval form can affect the fiscal year in which a transfer is recorded.

As with other issues pertaining to accrual accounting, the disbursement of cash is not a consideration in determining when an expense must be recorded. Thus, ministries must pay particular attention to transfers that occur near the fiscal year end. In addition, a ministry may be required to record the full amount of a transfer in a single fiscal year even if the underlying agreement spans more than one fiscal year.

For particularly difficult situations, ministries may wish to consult with the Provincial Comptroller's Office at the Ministry of Finance to confirm the accounting treatment they have identified for a particular grant or transfer is appropriate.

QUESTION 17

What issues are associated with accounting for grants and other transfers?

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QUESTION 18
What limitations exist on
payments between
ministries?

Ministries are not permitted to make grants to other ministries under any circumstances.

Payments between ministries for goods and services are only permitted in limited circumstances.

One such circumstance is provided by Section 33.1 of *The Financial Administration Act, 1993* (FAA). Under this legislation, with the approval of Treasury Board, ministries are allowed to invoice other ministries for services provided to them (i.e., under a shared services arrangement such as that in place for the Ministry of Central Services). Where services have been provided to another ministry, such amounts are recorded as expenses, and amounts received in return reduce those expenses (i.e., so that the net result is zero). The expense and recovery of the expense must be recorded in the same fiscal year.

Likewise, Section 33.2 of the FAA provides that with Treasury Board approval, ministries are allowed to incur costs for other ministries with respect to costs for grants or programs that are delivered jointly. Such amounts are initially recorded as expenses, and amounts received in return reduce those expenses. As above, the expense and recovery of the expense must be recorded in the same fiscal year.

Section 19 of *The Financial Administration Act, 1993* (FAA) requires ministries to follow the practice of “gross budgeting”. This means that all ministry revenues go into the General Revenue Fund (GRF), are recorded as revenue, and are spent as appropriated by the Legislative Assembly. The only exception is if another piece of legislation directs the revenue to go elsewhere.

Therefore, as a general rule, it is not possible to net revenue against expenses. In the event that Treasury Board or Cabinet provides direction for this to happen, the ministry/ministries involved must ensure that appropriate approvals and authorities are in place.

In certain limited circumstances, the Provincial Comptroller can approve the netting of revenue against expenses; however, this is only permitted for administrative arrangements.

Sections 33.1 and 33.2 of the FAA (see question #18) allow for netting of revenues for shared services, shared programs, or shared grants in very specific situations and Section 13.1 allows for netting of certain revenues from outside of the GRF. However, these arrangements are rare, and they require specific approval by Treasury Board and, in some cases, by the Lieutenant Governor in Council. A ministry seeking such an arrangement is required to consult with the Treasury Board Branch and the Provincial Comptroller’s Office of the Ministry of Finance.

The following sections of the Financial Administration Manual provide related information:

- Net Budgeting (3001)
- Refunds to Vote (3005)
- Shared Services (3007)
- Shared Grants and Programs (3008)

QUESTION 19

What limitations exist on netting revenue against expenses?

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QUESTION 20

What should be done about a payment that is not explicitly addressed by payment rules?

The rules governing payment processes cannot envision every situation that may arise in a ministry. As a result, corporate services heads and their senior staff will need to apply judgment in some cases. In such circumstances, it is helpful to apply common sense, while bearing in mind the spirit of the applicable payment authorities.

When in doubt, ministries should err on the side of caution. Consideration should also be given to obtaining advice from the Ministry of Finance and/or the Ministry of Justice and Attorney General.

Section 32 of *The Financial Administration Act, 1993* requires the Provincial Comptroller to reject a requisition for payment in certain circumstances.

This section also provides the authority to the Provincial Comptroller to seek direction from Treasury Board on requisitions where there is doubt about authority or where Treasury Board policy has not been followed. In those cases, a senior ministry official may be required to appear before Treasury Board. Treasury Board may direct either that the payment be made or that the requisition be rejected. Although Treasury Board may choose to approve a payment that contravenes its own policies, it cannot approve an illegal payment.

Improper payments are a serious matter, as they weaken the public's confidence in the Government. These items are reported to the public by the Provincial Auditor, and senior ministry officials will likely be required to explain any improper payments to the Standing Committee on Public Accounts, which is an all-party committee of Members of the Legislative Assembly that reviews the Public Accounts and the reports of the Provincial Auditor.

QUESTION 21
What are the consequences of an improper payment?

QUESTION 22
What is the MIDAS
system?

The MIDAS financial system is the Government's Oracle-based system operated by the Ministry of Finance. Virtually all of a ministry's payments are made using the MIDAS financial system, and it also serves as the general ledger for the General Revenue Fund. As a result, ministries are responsible for ensuring that their transactions and accruals are recorded on the MIDAS financial system on a timely basis.

In addition to serving as a general ledger, MIDAS financials also contains modules pertaining to purchasing, accounts receivable, accounts payable, capital assets and budgeting. The Public Service Commission operates the MIDAS HR/Payroll system which supports the Government's human resources and payroll requirements.

The Financial Administration Act, 1993 (FAA) delegates administrative control over the payment process to ministries by making deputy ministers ultimately responsible for the integrity of the financial processes within their ministries. Thus, deputy ministers are responsible for ensuring that the three basic forms of authority are in place for each payment (see question #4).

The FAA also defines the duties of the Provincial Comptroller. In general, the Provincial Comptroller is responsible for providing an oversight role in the payment process. This is accomplished by supervising the receipt, recording and proper disposition of public money and monitoring compliance with the orders and directives of Treasury Board (i.e., as contained in the Financial Administration Manual).

QUESTION 23

What are the respective roles of ministries and the Provincial Comptroller in the payment process?

QUESTION 24
What is the role of the
Provincial Auditor in the
payment process?

The Provincial Auditor is the auditor of public money managed by the Government. Among other things, he/she reports on compliance with payment authorities, including the Treasury Board policies and Provincial Comptroller directives contained in the Financial Administration Manual. The Auditor's reports are public documents, and they are reviewed by the Standing Committee on Public Accounts, which is an all-party committee of Members of the Legislative Assembly.

Ministries should not rely on the Auditor to advise them about payment authorities, as this represents a conflict of interest for the Auditor. In other words, he/she cannot provide advice and subsequently provide an independent opinion on actions pertaining to that advice.

Likewise, ministries should not rely on the Auditor to uncover improper payments or frauds, since the Auditor's work typically does not occur until long after a payment has been made. Ministries retain primary responsibility for the integrity of their payments.

