Issue Date: **September 2009**	Effective Date: **Immediate**	Responsible Agency: **Comptroller General**	Directive No: **709**
Chapter: **Accounting for Expenditures**			
Directive Title: **COMMITMENT ACCOUNTING AND CONTROL**			

1. POLICY

Commitment accounting identifies and reserves funds for future payment obligations, leaving the uncommitted balance of budgeted funds available for other expenditures. Commitment accounting is an integral part of sound financial management and must be used by all departments of Government.

2. DEFINITION

2.1. Commitment authority
Delegated authority to commit appropriated funds or revolving funds to an expenditure. Both expenditure officers and accounting officers have a responsibility to verify sufficient uncommitted funds are available before incurring an expenditure, in accordance with s*.44(1)* of the *Financial Administration Act* (*FAA*).

2.2. Blanket commitment
A general allocation that separates funds from the available balance of a budget and reserves the funds for one or more anticipated future expenditures for a particular purpose.

3. DIRECTIVE

Deputy Ministers shall ensure effective commitment control in their departments in accordance with the following provisions, so that funding is available to meet known expenses and annual appropriations are not exceeded.

4. PROVISIONS

4.1. Deputy Ministers shall ensure that their departments' appropriations and revolving funds are protected from over-expenditure through departmental policies, systems, and procedures that provide for effective commitment accounting. A department shall show its commitment records and procedures to the Office of the Comptroller General upon request.

4.2. A commitment or commitment adjustment must be approved by both an expenditure officer and an accounting officer in accordance with S.*44(1)* of the *FAA*. The delegated signing authority levels required by both officers must be at or above:

a) the monetary value of a new commitment
b) the monetary value of an adjusted commitment before any decrease;and
c) the monetary value of an adjusted commitment after any increase.

4.3. The expenditure officer and the accounting officer approving a commitment shall ensure that funds are available within the applicable appropriation or the authorized limit of a revolving fund, and that such commitment precedes any associated expenditure. They shall not over-commit an appropriation or revolving fund.

4.4. A commitment to a future year expenditure must not be recorded as an encumbrance against a current year appropriation. The commitment for a future year expenditure must take precedence when entering commitments against the future year's appropriation and must adhere to S*. 44(2)* of the *FAA*.

4.5. A proposed expenditure is to be committed if:

a) it is expected to exceed $10,000; or,
b) it forms part of a series of related or similar expenditures totaling $10,000 in a thirty-day period.

4.6. A department must record a commitment at the earliest of the times below:

a) when a need to reserve funds is identified for a specific estimated future obligation, e.g., a future grant, contribution or requisition;
b) when expenditure action leads to a contractual obligation, e.g., goods or services are requisitioned in anticipation of a contract or purchase order through CGS purchasing; or,
c) when a contract, agreement or arrangement is formally executed.

4.7. A blanket commitment must not be made unless the anticipated expenditures are non-controllable or cannot be estimated accurately, e.g., expenditures responding to epidemic disease or natural disaster.

4.8. Executive Finance Officers are expected to review commitments monthly to protect departmental appropriations from over-expenditure.