



FINANCIAL ADMINISTRATION MANUAL



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| Issue Date: September 2009 | Effective Date: Immediate | Responsible Agency: Office of The Comptroller General | Directive No: 3-1 |
| Chapter: Using the Manual | | | |
| Directive Title: ABOUT THE MANUAL | | | |

1. POLICY

The Government of Nunavut, through the Financial Management Board (FMB), and under the authority of the *Financial Administration Act (FAA)*, issues financial policy Directives that are applicable to all Departments in order to achieve a consistent approach to financial policies throughout the Government.

The *Nunavut Act* states that the Government accounts shall be prepared in accordance with the accounting principals recommended by the Canadian Institute of Chartered Accountants. Should a conflict exist between the financial policy Directives and the recommendations of the Canadian Institute of Chartered Accountants, the Institute's recommendations shall prevail.

The Financial Management Board's policy Directives are accumulated in a manual known as the Financial Administration Manual and are available to all Departments and the public on the Department of Finance's website at:

[HTTP://WWW.GOV.NU.CA/FINANCE/FAM/](http://www.gov.nu.ca/finance/fam/)

The authorities that govern the financial activities of the Government are: the *Nunavut Act*; the *FAA* and its regulations; the enabling legislation of the various public agencies and the Financial Administration Manual (FAM).

2. DIRECTIVE

All Departments of the Government shall conduct their financial affairs in accordance with the financial policies contained in the Financial Administration Manual. In applying these policies, Departments shall maintain neutrality as recommended by the Canadian Institute of Chartered Accountants for Public Sector entities. This recommendation means that in applying standards, the primary concern should be the relevance and reliability of the information that results rather than the effect that the policy will have on the Department or the Government.

It is the intent of the FMB to issue a separate series of Directives that apply exclusively to public agencies. Until these separate Directives are issued, this



Financial Administration Manual shall apply to public agencies whose primary funding is appropriated by the Legislative Assembly. A public agency may depart from the Directives in this manual if:

- a) it has legislative authority or a statutory duty to do so;
- b) it has been directed to do so by the Minister of Finance in accordance with S.78 of the *FAA*;
- c) it has legislative authority to raise and retain its own revenue so that its primary funding is not appropriated by the Legislative Assembly.

The *Nunavut Act* requires the Government to follow generally accepted accounting principals and any accounting policies developed by a public agency must comply with those principals.

3. PROVISIONS

3.1. Structure of the manual

The manual is divided into ten chapters as follows:

Chapter 3 - Using the Manual – a Glossary of terms and an overview of the Government structure relating to financial matters.

Chapter 000 - Management of the Financial Function – describes the roles of the various authorities involved in the financial affairs of the Government.

Chapter 1000 - Financial Systems – describes the financial coding and accounting systems used.

Chapter 300 - Budgetary Control – deals with the preparation and use of budgets as a control mechanism.

Chapter 500 - Cash Management – contains investments, banking and cash flow policies.

Chapter 600 - Government Accounting Policy – includes general policies relating to consolidated financial statements, accounting for tangible capital assets, leases, internal audit, internal controls and protecting personal financial information.

Chapter 700 - Accounting for Expenditures – policies relating to recording of expenditure transactions, inventory and asset disposals as well as commitment controls.

Chapter 800 - Control of Expenditures – contains policies dealing with the various aspects of controlling expenditures, including signing authority, delegation of authority, account verification, grants and contributions, government contracts, accountable advances, honoraria, duty travel and insurance claims.

Chapter 900 - Control of Revenue – contains policies dealing with the various aspects of controlling revenue, including licenses, fees and taxes, granting credit and collection of amounts owing, loans and advances, loss of cash or other assets, interest and write offs and forgiveness of debt.

Chapter 9800 - Special Programs – policies relating to emergency expenditures, and special grant programs.

3.2. Applicability of the Manual

- 3.2.1. The manual applies to all public officials and Departments over which the FMB has authority. It provides a common standard reference system of Government financial policy, permitting everyone to operate under the same rules. Furthermore, the manual serves as a communication tool and will be a useful training resource for all employees.
- 3.2.2. The Directives are based on generally accepted accounting principals and, as such, entities that do not fall within the mandate of the FMB are encouraged to apply the principals that are contained in the Directives so as to obtain a consistent approach to financial policies throughout the Government.
- 3.2.3. It is recognized that no rule or Directive can be phrased to suit all circumstances or combination of circumstances that may arise, nor is it desirable to do so. There is no substitute for the exercise of professional judgment in the determination of what constitutes fair presentation or good practice in a particular case. In exercising professional judgment, the principal qualitative characteristics of the information that makes it useful to users must be considered and evaluated. These are understandability, relevance, reliability and comparability. The information resulting from financial transactions must be in a form that is understandable to users, is relevant to the decisions that they must make, is an accurate reflection of the underlying transaction and event and is presented on a consistent basis so that comparisons can be made. The transactions must reflect the substance and intent of the event rather than their legal form.
- 3.2.4. The manual is intended to apply to matters that are material. An item of information, or an aggregate of items, is considered to be material if it is possible that its omission or misstatement would influence or change a decision. Materiality is a matter of professional judgment in the particular circumstances.

In determining the materiality or significance of an item, the specific requirements contained in the statutes and regulations must be considered. A legislated reporting requirement cannot be ignored because the amount is considered immaterial. The general approach



in these matters should start from the question “what does the legislature intend should be the result of this transaction?” The intent and spirit of the legislation must be considered rather than a strict legal interpretation.

3.3. Maintenance and Changes to the Manual

- 3.3.1. This manual is maintained by the Office of the Comptroller General in the Department of Finance. Changes are reviewed by the Department of Finance and senior staff in other Departments before they are presented to the Financial Management Board for approval. Executive Financial Officers in Departments are notified by email when a change to a Directive, or a new Directive, is approved. In addition, a notice is posted on the notice board contained on the Government’s internal webpage. [HTTP://INTRANET/PHASE1/](http://intranet/phase1/). (government use only) When changes are approved that will result in the requirement for public officials or Departments to adopt substantive new or different procedures, information seminars are held by Comptroller General staff. Departments that are significantly impacted are notified on an urgent basis.
- 3.3.2. This manual is designed to be a dynamic document and Departments and public officials are encouraged to offer suggestions to the Comptroller General’s office when they encounter situations where the manual does not provide guidance or where the guidance provided is not relevant to the particular situation.
- 3.3.3. The Executive Finance Officer of each Department is responsible for assuring that the appropriate staff in their department are familiar with the Directives that relate to the functions being performed and that they are properly advised of all changes to the Directives.

3.4. Format Of Directives

- 3.4.1. The title block at the top of the first page of each Directive has a chapter title, Directive title, Directive number, most recent issue date, effective date and group responsible for the subject matter. When a Directive expands on a previous one, its Directive number includes and adds to the number of the previous Directive (e.g. Directive 801-1 expands on Directive 801). There are gaps in the numbering which are intentional. These have been reserved for possible future additions.
- 3.4.2. Each Directive has three main sections:
 - 3.4.2.1. **Policy** - This section explains in simple language the Government policy relating to the subject of the Directive.

- 3.4.2.2. **Directive** – This section provides the Directive of the FMB to public officials and Departments.
- 3.4.2.3. **Provisions** – These provide guidance in applying the Directive to particular situations or further expands on the Directive.
- 3.4.2.4. **Other sections** – Where appropriate, a Directive may contain appendices or definitions. Definitions are provided when there are technical terms that are specific to the subject of the Directive. The definition of general terms is contained in the Glossary under Chapter 3 - Using the Manual. (Directive 3-2). Where words have more than one definition, the definition included in the specific Directive applies to that Directive; otherwise, the definition in the Glossary applies. Definitions contained in a specific Directive may be duplicated in the Glossary. Terms that are not defined shall be given their common dictionary meaning or the definition that is generally accepted within the accounting profession.
- 3.4.2.5. The Directive consist of all of the sections, including any appendices, unless otherwise specified.

3.5. Interpretation Of Manual Terminology

- 3.5.1. The following definitions apply throughout this manual

May: expresses permission and the right to choose

Should: expresses a normal course of action that may be altered with good reason.

Will: expresses certainty, not mandatory action.

Must/Shall: expresses mandatory action or circumstances.

- 3.5.2. When the title of a particular position is used (Comptroller General) it means that the incumbent to that position, or someone delegated the authority by the incumbent, must grant the approval or take the required action. When the office of the position (Office of the Comptroller General) is used it means that the task to be preformed is the responsibility of that office. The task does not involve granting specific approval.