

# **Governance and Management Guidelines for Government Transfers**

The purpose of this document is to provide guidance in the governance and management of government transfers. Please refer to CPPM 21 for policy application of government transfers.

Government transfers are transfers of monetary assets or tangible capital assets from the Province to an individual, a business, or other entities. They are non-exchange transactions where the Province is not the direct beneficiary of any goods or services, repayment, or investment. Government transfers also include transfers of monetary assets or tangible capital assets received by the Province from other entities.

#### Basic Principles that Govern All Government Transfers

- Basic principles are:
  - Accountability
  - Open and Transparent
  - Value for Money
  - Lawfulness
  - Fairness
  - Integrity
- **Accountability:** Ministries should be accountable for their performance and be able to give complete and accurate accounts of how they have used public funds, including funds passed on to others for particular purposes. They should also have suitable governance and management arrangements in place to oversee government transfer payment funding arrangements.
- **Open and Transparent:** Ministries should be transparent in their administration of government transfer payments both to support accountability and to promote clarity and shared understanding of respective roles and obligations between ministries and any recipients entering into funding arrangements.
- **Value for Money:** Ministries should use resources effectively, economically, and without waste, with due regard for the total costs and benefits of an arrangement, and its contribution to the outcomes the ministry is trying to achieve.
- **Lawfulness:** Ministries must act within the law, and meet their legal obligations.
- **Fairness:** Ministries have an obligation to act fairly and reasonably. Ministries must be, and must be seen to be, impartial in their decision-making.
- **Integrity:** Anyone who is managing public resources must do so with the utmost integrity. Government's Standards of Conduct are respected and when funding other organizations that they expect similar standards from those organizations.

There are three categories for government transfers (see [CPPM 21.3.2](#)):

- Grants
- Entitlements
- Shared Cost Arrangements

#### Government Transfer recipient examples:

- **Business organizations:** There can be situations where commercial companies receive government transfer payments (for example, through business or regional programs).
- **Not-for-Profit organizations:** Funding arrangements with Not-for-Profit organizations can span from simple discretionary government transfers to major funding of services.

- **Government Reporting Entities:** It is relatively common for one public entity to fund another for some purpose, and this funding will sometimes fall into one of the categories described above. For example, a government ministry may contract for a Crown corporation to provide goods, services or research to the public, it may fund services to the public from a government owned enterprise, or it might provide a government transfer payment to another government sector body such as a local authority.
- **Other private bodies, such as clubs, societies, and trusts:** There are a variety of other private organizations that exist for particular purposes and enter into funding arrangements with public entities. Again, these can span the full range of funding arrangements.
- **Other governments:** Funding arrangements also extend beyond provincial boundaries, particularly in the context of aid programs. It is therefore common for government transfer payments to be provided to other governments.
- **Individuals:** Commonly associated with entitlements whereas the recipient meets eligibility criteria enacted by legislation or other authorities. For example, Income Assistance and other social assistance payments.

#### **Approval Process (see [CPPM 21.3.1](#))**

A government transfer must be supported by approved legislative authority and other authorities, and approved ministry service plans and program objectives. A government transfer payment must also be supported by a government transfer request that is approved by a ministry officer who has been delegated expense authority for this purpose. The approved government transfer request must also be submitted to the ministry Chief Financial Officer for review and sign off for the purpose of attesting that due diligence has been performed on the government transfer request to address the following requirements and expectations:

- The request clarifies the organization's objectives, provides justification, and determines the minimum requirements to proceed with the government transfer initiative; and
- The request provides the framework for meeting the organization's accountability requirements in the planning, monitoring, and reporting of the government transfers.

See the [Government Transfer Request Guide](#) for requirements and expectations to consider in completing the government transfer request.

#### **Authorization (see [CPPM 21.3.3.3](#))**

- A government transfer is authorized when **both** of the following have occurred by the **financial statement date** (i.e. Fiscal year end):
  - a) Approved legislation or other authorities to provide a government transfer is in place; **and**
  - b) A decision made by the transferring government under approved legislation or other authorities that clearly demonstrates that it has lost its discretion to avoid proceeding with the government transfer. The loss of discretion may be demonstrated through written communication to the recipient.
- A government transfer can also be authorized if **both** of the following have occurred:
  - a) The actions and communications of the transferring government by the financial statement date clearly demonstrate that it has lost its discretion to avoid proceeding with the government transfer. Thus, the government is demonstrably committed to approving the enabling legislation or other authorities for the government transfer and proceeding with the transfer; **and**
  - b) Final approval in the stub period (the period between the financial statement date and the date the financial statements are completed) of the enabling legislation or other authorities to provide the government transfer confirms that the transferring government was demonstrably

committed to approving and proceeding with the government transfer at the financial statement date.

**Eligibility Criteria** (see [CPPM 21.3.3.4a](#))

- Specifies who qualifies to receive a government transfer and/or the actions necessary to qualify for the transfer.
- The nature and substance of the eligibility criteria that must be met before a government transfer is provided.
- Specifies pre-conditions that must be satisfied in advance for a recipient to qualify for a government transfer.
- May include the following characteristics:
  - Eligible recipients may have to apply and provide evidence that they have met the requirements to receive a government transfer. Some transfer programs may require recipients to apply and meet eligibility criteria only once while other transfer programs may require periodic application as well as ongoing eligibility (i.e.; continually meeting eligibility criteria) over periods funded.
  - Eligibility may be dependent on the completion of specific actions of the recipient before they can qualify for a government transfer or for arrangements that require ongoing eligibility. The recipient may have to demonstrate that they meet the eligibility criteria on an ongoing basis (e.g. recipient required to raise a specific amount of resources from third parties; or require recipients to match the transferring government's offer of resources).
  - The recognition of an expense is permitted on an ongoing basis if the eligibility criteria are met on an ongoing basis.

**Stipulations** (see [CPPM 21.3.3.4b](#))

- Stipulations can be a tool used by the transferring government to promote sound financial management and to ensure the recipient is using the funds as intended.
- Stipulations must be met after a government transfer is provided and recipients must meet the stipulations of the government transfer in order to keep the transfer.
- Stipulations must include the requirement for funds to be repaid if they are not used to achieve the purpose of the government transfer payment as specified in the government transfer agreement.
- May include the following characteristics:
  - Purpose stipulations where the transferred resources are used to carry out a particular activity, or to acquire or develop a tangible capital asset for delivery of services, where government is not the direct beneficiary.
  - Time stipulations where transferred resources must be used in a particular or specified period of time.
- Examples of purpose stipulations:
  - Acquire or develop a tangible capital asset.
  - Utilization of a funded tangible capital asset to deliver a specified service over a defined period of time.
  - Carry out a particular activity.
  - Relocate to a specified region or for hiring a specified number of new personnel.
- Examples of time stipulations:
  - Used for a particular period.
  - The date when use is first permitted.
  - The start and end date of the period within which the transferred funds must be used.

- A pattern of use for the transferred funds in specified annual periods of time.
- Examples of applying stipulations to promote good financial management:
  - Transfers with only a few simple stipulations are common when the funding is relatively small. However, not all of these transfers are small. In some circumstances, transfers to municipal governments, for example, might have limited stipulations attached, because they are being provided to another government and it may not be appropriate to impose strict stipulations or reporting requirements in that context.
  - Control: What level of control does the public entity want over the detail of what is done and the outcome? Are there significant requirements around the quality of what is delivered? In general, the greater the level of control that the ministry seeks or expects, the more likely the relationship will be clearly defined in the agreement with enforceable stipulations to ensure the purpose of the transfer is achieved.
  - Performance and consequences: What happens if the recipient does not do what is intended? Is the intention to create legally enforceable performance or delivery obligations? If the intention is to make the recipient meet the terms of the transfer or perform the action in order to keep the transfer, then the relationship should be set up as a contractual funding arrangement where the parties can withhold payment or go to court to seek remedies for non-performance.

### **Considerations for choosing an approach to selecting a service provider of a shared cost arrangement**

A ministry should focus on what it is trying to achieve in any particular transfer program. The goal of the funding arrangement should guide the appropriate approach to recipient selection. The engagement of a shared cost arrangement must demonstrate accountability and economic efficiency. The choice of a service provider shall follow government's [competitive selection process](#) unless a [direct award condition](#) applies, or where

- financial assistance is provided to a specified target group or population (e.g., a First Nation, or a direct beneficiary- individual or family or legal guardian of that individual under a community/social service program); or
- a competitive selection is not appropriate.

Examples of considerations for selecting recipients are:

- Funding program dollar value and whether it is a one-time and short-term funding agreement.
- Funding program that is a high dollar amount and high risk to government which require greater accountability in planning, authorization, documentation, monitoring and reporting.
- The capacity of the recipient organization should be considered to ensure the following:
  - Does the recipient have relevant expertise?
  - Does the organization have financial means to fulfill the objectives of the transfer?
  - Would the organization pose a risk of not being able to repay if they fail to meet stipulations?
  - Is the mandate of the organization aligned with the intent of the transfer?
- There will usually be a reasonable range of suppliers or service providers to choose from the market that provides an opportunity for a fair, open and transparent process as a way of managing the price and value for money of the funding arrangements.
- There is no effective or meaningful market of suppliers or providers to deliver the goods or services.

## Guide for General Expectations in Managing Government Transfers

Type of funding arrangement	Shared Cost Arrangement	Entitlement	Grants
<p><b>General expectations:</b></p> <p><b>Planning Stage</b></p>	<p>Process to check that purpose of the transfer aligns with ministry's business and strategic plans.</p> <p>Organizational policy and business planning to develop processes and eligibility criteria for considering applications or requests. Establish stipulations that will support the government's performance expectations.</p> <p>Provide government transfer request and obtain sign-off from ministry Chief Financial Officer (CFO).</p> <p>Authorized in accordance with ministry's budget.</p>	<p>Process to check that purpose of the transfer aligns with statute, formula or regulation.</p> <p>Provide government transfer request and obtain sign-off from ministry Chief Financial Officer (CFO).</p> <p>Authorized in accordance with ministry's budget.</p>	<p>Process to check that purpose of the transfer aligns with ministry's business and strategic plans.</p> <p>Organizational policy and business planning to develop processes and eligibility criteria for considering applications or requests. Establish stipulations that will support the government's performance expectations.</p> <p>Provide government transfer request and obtain sign-off from ministry Chief Financial Officer (CFO).</p> <p>Authorized in accordance with ministry's budget.</p>
<p><b>General expectations:</b></p> <p><b>Selection Stage</b></p>	<p>Systematic process for considering applications or requests against eligibility criteria.</p> <p>Considerations to funding characteristics for selecting recipients.</p> <p>Consider selecting recipients using a fair, open and transparent process.</p> <p>Specific assessment of the basis for the amount of the transfer payment sought.</p> <p>Formal written agreement of terms of the transfer and what is being funded.</p> <p>Clear and appropriate stipulations set to manage risk and ensure suitable accountability.</p>	<p>Systematic process for considering applications or requests against eligibility criteria.</p> <p>Meet eligibility criteria.</p> <p>Specific assessment of the basis for the amount of the transfer payment sought.</p> <p>Some clear and appropriate stipulations set to manage risk and ensure suitable accountability.</p>	<p>Systematic process for considering applications or requests against eligibility criteria.</p> <p>Meet eligibility criteria, or meet ongoing eligibility criteria.</p> <p>Considerations to funding characteristics for selecting recipients.</p> <p>Consider selecting recipients using a fair, open and transparent process.</p> <p>Specific assessment of the basis for the amount of the transfer payment sought.</p> <p>Written agreement of terms of the transfer and what is being funded.</p> <p>Clear and appropriate stipulations set to manage risk and ensure suitable accountability.</p>
<p><b>General expectations:</b></p> <p><b>Monitoring Stage</b></p>	<p>Regular reporting or other checks (at an appropriate level) to assess progress and whether further funds should be released, to enable transferring government to assess success per ministry strategic plans.</p> <p>Ongoing monitoring against stipulations to determine whether performance has been achieved and whether or not recipient is able to retain transfer.</p> <p>Payment may be made in advance of delivery/performance but could be in stages to manage risk. See CPPM 21.3.3.5 for recording and recognition requirements</p>	<p>Regular reporting or other checks (at an appropriate level) to assess progress and whether further funds should be released, to enable transferring government to assess success per ministry strategic plans.</p>	<p>Ongoing reporting or monitoring arrangements, depending on risk, scale, and nature of the relationship, to enable transferring government to assess success per ministry strategic plans.</p> <p>Ongoing monitoring against stipulations to determine whether performance has been achieved and whether or not recipient is able to retain transfer.</p> <p>Payment may be made in advance of delivery/performance but could be in stages to manage risk. See CPPM 21.3.3.5 for recording and recognition requirements</p> <p>May be reporting requirement by recipient.</p>
<p><b>General expectations:</b></p> <p><b>Review and Report Stage</b></p>	<p>Full reporting of achievements against the purpose of the transfer payment. Report results in relation to ministry strategic plan and annual report.</p>	<p>Periodic review to ensure legislative and Ministry objectives continue to be met.</p>	<p>Reporting of the achievements against the purpose of the transfer payment</p> <p>Recording through ministry business processes for expenditure reporting.</p>

## **Recommended Provisions for an Agreement (Grants and Share Cost Arrangements only)**

**The following is a list of basic provisions that should be considered in establishing the terms and stipulations of an agreement. It is not intended as an all-inclusive list. Individual circumstances may require other additional, appropriate considerations. Ministries should seek advice from the ministry's legal counsel to assist in developing a written agreement. Basic provisions for consideration should include:**

1. An identification of the recipient (legal name and contact information).
2. The purpose of the transfer payment and the expected results to be achieved.
3. The effective date, the date of signing, and the duration of the agreement.
4. The reporting requirements expected of the recipient.
5. The obligations and accountabilities of the parties involved, and the financial and/or non-financial stipulations and the consequences of failing to adhere to these stipulations.
6. For a transfer payment of significant amounts, a requirement for the recipient to declare any and all sources of proposed funding for the project before or shortly after the commencement of the agreement, as well as upon completion of the project.
7. A provision for repayment where the total government transfer exceeds the amount spent for a specified purpose or where the stipulated purpose has not been adhered to.
8. Where it is applicable, the allowable costs, the types or classes of expenditures eligible for reimbursement.
9. The stipulations required in the agreement that will establish the objectives for measuring and monitoring the performance of the recipient.
10. The maximum amount payable and appropriate provisions for the ministry to terminate the agreement and withdraw from the project if the original objectives are not being met.
11. A clause to limit the liability of the government in the case where the recipient is entering into a loan, a capital lease or other long term obligation in relation to the project for which the transfer payment is provided.
12. The Province's right to conduct an audit, even though an audit may not always be undertaken.
13. Provision for cancellation or reduction of transfer payments in the event that ministry appropriation or funding levels are changed.
14. A requirement that any payment under the agreement is subject to there being an appropriation for the fiscal year in which the payment is to be made.
15. An indemnification clause for the benefit of the Crown and an insurance provision. (Note: Ministries should consult with Risk Management Branch)
16. A clause that requires the recipient not to represent itself, including in any agreement with a third party, as a partner or agent of the Crown, unless this is agreed to by the Province.
17. Provision defining rights (whole or in part) to assets acquired or intangible property created in the process of carrying out the requirements of the transfer agreement.
18. A requirement for the recipient to declare any amounts owing to the government under legislation or an agreement and recognition that amounts due to the recipient may be set-off against amounts owing to the government.
19. A requirement for the recipient to repay advances, overpayments, interest on overdue amounts, unexpended balances and disallowed expenses, and a declaration that such amounts constitute debts due to the Province.
20. Provision to recover payments should the recipient be in default of the transfer agreement.
21. Provision for the confidential treatment of all information or material supplied to or obtained by the recipient as a result of the transfer agreement with the Province.