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**Financial Planning and Budgetary Control**

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## **2.0 POLICY STATEMENT**

Financial planning and budgetary control systems and procedures that exist throughout the Yukon Government must ensure that financial resources are managed and accounted for in a manner that meets legislative and management requirements. Planning, which includes budgeting, is a key element of management and provides the context for control. Control is the monitoring and evaluation of performance and provides feedback to planning.

This Chapter outlines the financial planning and budgetary control process used by the Yukon Government. It also provides the corporate policies, procedures, guidelines and other reference material pertaining to financial planning and budgetary control including:

- the preparation, review and approval of departmental budget plans in the Yukon Government;
- authority and responsibility of participants in the budgetary process; and
- central agency requirements, services and systems.

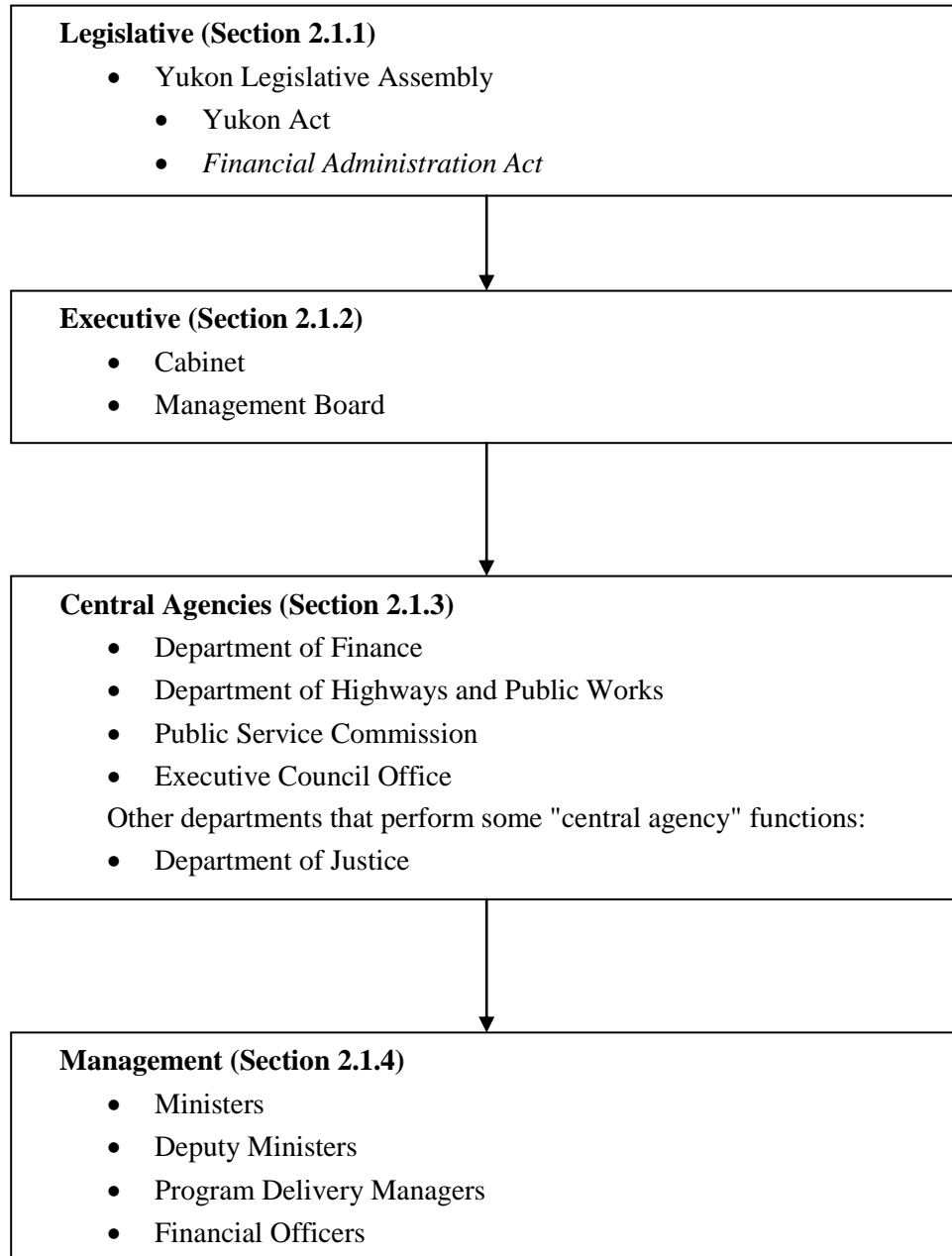
Management and financial personnel should familiarize themselves with the contents of this Chapter as it relates to their duties and responsibilities.

This Chapter has been reviewed and approved by Management Board on May 11, 1995 (MBM#95-11-02) as a Management Board Directive per Section 4(3) of the *Financial Administration Act*. This Chapter cannot be revised without the approval of Management Board.

The direction provided in this Chapter applies to all departments including the Yukon Housing Corporation, Yukon Development Corporation and Yukon Liquor Corporation unless specifically stated otherwise either in this Chapter or by Management Board. This Chapter does not apply to the Workers' Compensation, Health and Safety Board.

## **2.1 OVERVIEW OF ORGANIZATIONAL RESPONSIBILITIES**

Within the organizational structure of the Yukon Government there are several levels of responsibilities for financial planning and budgetary control. These are:



## **2.1.1 Legislative**

### **2.1.1.1 Yukon Legislative Assembly**

#### Yukon Act

The Yukon Legislative Assembly is established by the *Yukon Act* (Federal). This Act defines the composition, size, duties and legislative powers of the Legislative Assembly (referred to as "the Council" in the *Yukon Act*). Part of these responsibilities consist of debating and passing/rejecting legislation concerning taxation, borrowing, lending, investing and estimates of expenditures.

The *Yukon Act* also requires that a financial report (Public Accounts) be tabled each fiscal year in the Legislative Assembly. The report should contain statements of revenue and expenditures and of assets and liabilities certified by the Auditor General for Canada, and a report on the financial transactions during the year.

#### Financial Administration Act

The Yukon Legislative Assembly passed the *Financial Administration Act* which defines the management and financial administration responsibilities within the Yukon Government. These responsibilities are outlined in this Chapter as well as Chapter 3 of this manual. Where there is a conflict between the *Financial Administration Act*, and another Act enacted before or after, the *Financial Administration Act* prevails unless the other Act contains an express provision otherwise.

## **2.1.2 Executive**

### **2.1.2.1 Cabinet**

Cabinet is established under the authority of the *Yukon Act* and has ultimate responsibility for the management of the Government. This includes establishment of goals and objectives, selection of programs, and allocation and management of resources and outputs. The financial and personnel responsibilities of Cabinet are discharged through Management Board under the authority of the *Financial Administration Act*.

### **2.1.2.2 Management Board**

The *Financial Administration Act* defines the functions of Management Board which is a sub-committee of Cabinet. The Board is responsible for management of the Government's resources and, in doing so, may issue directives, policies and procedures to:

- establish specific controls on certain expenditures,
- establish the budgeting and control process,
- define procedures for dealing with internal audit reports, and,
- more generally, promote internal control and accountability.

For example, directives, policies and procedures may specify control procedures for approval of new programs, expenditure and payment authorizations, increases or decreases to approved budgets and transfers of budgeted funds between programs, activities and allotments. Chapter 3 of this manual provides further details about Management Board.

### **2.1.3 Central Agencies**

There are four central agencies involved in the financial management of the Government: the Department of Finance, the Department of Highways and Public Works, the Public Service Commission and the Executive Council Office. The Department of Justice also performs some "central agency" functions related to financial planning and budgetary control.

#### **2.1.3.1 Department of Finance**

The Department of Finance is established by the *Financial Administration Act*. The Department's major functions related to financial planning and control are described below.

The Financial Operations and Revenue Services Branch of the Department of Finance provides the overall accounting services to the Government, although departments have their own financial staff. The Branch receives and disburses payments to and from the Government and maintains accounting records for the Government as a whole. In doing so this Branch:

- provides accounting direction and advice to departments,
- ensures that proper procedures have been followed to authorize payroll and other payments,

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- manages the Government's financial resources, including revenues, recoveries, receivables and payables,
- produces the Government payroll,
- records financial transactions and maintains the general ledger,
- maintains the central commitment accounting system, and
- prepares the annual public accounts.

**The Management Board Secretariat:**

- ensures that Management Board and Cabinet are provided with the information and analysis required for sound decision-making relative to the allocation, management and control of the financial and human resources of the Government, including physical assets;
- plans and coordinates the government-wide budgeting process, including preparation of the Main and Supplementary Estimates;
- provides meeting support and record keeping services to Management Board; and
- provides economic forecasts and trends for budgeting purposes.

**Bureau of Statistics:**

- one of the many services provided by this Unit includes providing past growth rates (e.g., inflation, GDP, population) for use by departments as guides in forecasting expenditure requirements.

**2.1.3.2 Department of Highways and Public Works**

The Department of Highways and Public Works' role includes performing several functions related to financial planning and budgetary control.

**Corporate Services Branch:**

- provides management services for insurance and risk management matters.

**Information & Communication Technology Branch:**

- provides comments and advice to departments on requests for telecommunications equipment and computer systems or services; and
- operates the central computer system.



**Supply Services Branch:**

- assists departments with the acquisition of goods and services and the disposal of surplus assets; and
- provides departments with:
  - office equipment rental and purchase rates;
  - rental rates for leased vehicles;
  - air travel rates; and
  - estimates of costs associated with printing and forms requirements.

**Property Management Branch:**

- coordinates lease space requests and capital project requests from departments; and
- provides departments with:
  - accommodation rates;
  - an indication of operating implications of requested capital facilities;
  - cost estimates of construction projects; and
  - advice on capital maintenance upgrade projects for department-specific buildings.

**2.1.3.3 Public Service Commission**

The Public Service Commission provides corporate human resource management services to departments. This includes providing advice and information to departments on pay and benefits, training and development, and staffing and classification.

**2.1.3.4 Executive Council Office**

The functions performed by the Executive Council Office related to financial planning and budgetary control are described below. These are not the only central agency functions of the Executive Council Office.

**Government Audit Services:**

- provides the Government with an internal audit of government activities which is free from departmental bias. This includes some responsibility for the evaluation of government programs for effectiveness, efficiency and economy under the direction of the Audit Committee (a sub-committee of Management Board). The position and authority of the Internal Auditor is provided pursuant to the *Financial Administration Act*. Refer to Policy #1.13 in Volume 1 of the General Administration Manual for more information on the role of the Internal Auditor.

### **2.1.3.5 Department of Justice**

One of the tasks of the Solicitors Branch of the Department of Justice is to assist departments by reviewing and providing drafting advice for contracts and cost-sharing agreements.

## **2.1.4 Management**

### **2.1.4.1 Ministers**

Per the *Financial Administration Act*, Ministers are responsible for the management of the financial affairs of their departments under the general direction of the Minister of Finance and Management Board.

### **2.1.4.2 Deputy Ministers**

Deputy Ministers are responsible for ensuring that departmental activities and expenditures meet legislative, executive, central agency and departmental requirements for financial planning, control and accountability. These requirements are expressed through legislation, regulations, directives, goals, objectives, policies and procedures. They include ensuring that budgets and expenditures are monitored, commitments are recorded and monthly financial reports are reviewed to determine whether transactions have been correctly recorded and activities are proceeding according to operational plans.

The financial responsibilities may be delegated by the Deputy Minister to personnel in his/her department subject to any limitations that legislation, Management Board or Ministers place on this authority to delegate. See Chapter 5 which provides further details on delegating authority for expenditures.

### **2.1.4.3 Program Delivery Managers**

Many financial planning and budgetary control activities occur at the program delivery level. Managers who are responsible for program delivery should participate in the planning and budgeting processes and manage their approved budgets. This includes ensuring that adequate funds are available for the expenditures required and that expenditure flows are consistent with annual budgets, approved goals, objectives and operational plans.

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Program delivery managers should review, on a regular basis, financial reports to identify actual and potential problems so that they can initiate appropriate remedial action. This review should include comparing actual expenditures, recoveries and revenues to budgets. See Section 2.5.6.2 of this Chapter for more details on variance reporting.

In addition to monitoring financial performance, program delivery managers should establish performance criteria or indicators that can be used by themselves and others to assess overall program delivery performance. Great care must be taken in the development and analysis of performance indicators so that they indeed serve as a measure of efficiency and effectiveness, rather than strictly as a measure of activity.

Program delivery managers are responsible for reporting to more senior management regarding their program's performance.

**2.1.4.4 Financial Officers**

Financial Officers are an integral part of a department's organization and management structure and are responsible for ensuring that departmental financial procedures are consistent with the *Financial Administration Act*, Management Board instructions and other regulations and policies. These Officers often carry out many of the financial management and control functions of the Deputy Minister on a delegated basis. Financial Officers must therefore work very closely with Department of Finance staff and be familiar with the legislation, regulations, directives and policies that govern departmental and government-wide financial operations.

## 2.2 OVERVIEW OF THE FINANCIAL PLANNING AND BUDGETARY CONTROL PROCESS USED BY THE YUKON GOVERNMENT

The financial planning and budgetary control process used by the Yukon Government is determined by Management Board. The major components are outlined below. Note that budgeting is a component of planning but it is identified separately in this Chapter because of its significance.

### Planning (Section 2.3)

- Cabinet sets corporate goals and priorities
- Departments prepare/revise and obtain approval where appropriate for: strategic, business and/or operational plans



### Budgeting (Section 2.4)

- Overview Memorandum is prepared and reviewed by Management Board
- 5-year Capital financial plans are prepared and approved
- Operations and Maintenance budgets are prepared and approved
- Yukon Legislative Assembly debates and approves the budgets



### Budgetary Control (Section 2.5)

- Departments implement approved plans/budgets
- Budgets and implementation of plans are monitored, controlled and revised and this feeds back to the next planning cycle
- Public Accounts are prepared at year-end, audited by the Auditor General and tabled in the Legislative Assembly

## **2.3 PLANNING**

### **2.3.1 Cabinet Goals and Priorities**

As the executive decision-making body in the Yukon Government, Cabinet is responsible for identifying the corporate goals, priorities and plans of the Government.

### **2.3.2 Departmental Strategic Plans**

Departments should develop strategic, business and/or operational plans to guide them in achieving Cabinet's goals and priorities.

These plans must be realistic and take into consideration resource limitations. The plans should be used as the basis for developing and approving budgets per Section 2.4 of this Chapter. The plans can also be used to provide accountability. This can be accomplished by measuring and comparing actual performance to the desired performance stated in the strategic, business and/or operational plans.

### **2.3.3 Departmental Overviews and Program Descriptions**

#### **2.3.3.1 Definition**

Departmental overviews are broad statements that define the general purpose of the department while program descriptions identify, in general terms, clients to be served and services to be performed.

#### **2.3.3.2 Updating**

Each fiscal year, departments are directed by Management Board to review and update their departmental overview and program descriptions for Management Board approval. Management Board Secretariat sends departments instructions (a call letter) on how and when these are to be updated. In response to the call letter, departments submit any proposed changes to program titles (names) or descriptions in order to obtain a mandate for program expenditures.

The departmental overview and program descriptions must be approved by the department's Deputy Minister and Minister prior to submission to the Management Board Secretariat.

### **2.3.3.3 Review by the Management Board Secretariat**

The Management Board Secretariat reviews the departmental overview and program descriptions to ensure they are:

- consistent with overall government goals, policies and priorities, and
- prepared in accordance with any direction given by Management Board.

### **2.3.3.4 Management Board Approval**

After the Management Board Secretariat completes its review, the Minister of Finance submits the departmental overviews and program descriptions to Management Board for review and approval.

This submission will usually be reviewed and approved by Management Board prior to the call for budget preparation and serve as the basis for preparing both the Capital and Operation and Maintenance Estimates.

### **2.3.3.5 Disclosure**

Departmental overviews are disclosed in the Main and Supplementary Estimates:

Program descriptions are disclosed only in the Main Estimates.

### **2.3.3.6 Revisions During the Fiscal Year**

Sometimes circumstances occur that require revisions to departmental overviews or program descriptions during a fiscal year (e.g., devolution of a program from the Federal Government or a departmental reorganization). If this happens, departments must submit proposed revisions to Management Board for approval prior to implementation.

## **2.3.4 Capital Plan Narrative**

### **2.3.4.1 Definition of a Capital Plan Narrative**

The capital plan narrative includes capital program descriptions and capital project Standards and criteria. These define the purpose of the programs (or activities), the standards to be met by the programs and projects and the criteria used to justify project expenditures in the program.

### **2.3.4.2 Definition of Standards**

Program or project standards refer to acceptable levels of quality, safety and serviceability and may be based on nationally or locally established building and construction codes, road construction requirements or other appropriate benchmarks. For example, a standard for building a new facility may be meeting national Building Code requirements.

### **2.3.4.3 Definition of Criteria**

Program or project criteria refer to the decision variable(s) used for the justification of projects. For example, a new or expanded facility may be justified if the number of occupants currently exceeds the established maximum number of occupants per 100 square metres. Another example is equipment that is required to be replaced after it is 10 years old. Appropriate criteria should be defined for each type of expenditure.

### **2.3.4.4 Updating the Capital Plan Narrative**

Each fiscal year, departments (excluding the Yukon Development Corporation) are directed by Management Board to review and update their capital plan narratives. Management Board Secretariat sends departments instructions (a call letter) on how and when the capital plan narratives are to be updated.

### **2.3.4.5 Review of the Capital Plan Narratives by the Management Board Secretariat**

The Management Board Secretariat reviews the capital plan narratives to ensure that the narratives:

- consistent with overall government goals, policies and priorities, and
- prepared in accordance with any direction given by Management Board.

### **2.3.4.6 Approval of Capital Plan Narratives**

Capital plan narratives must be approved by the department's Deputy Minister and Minister. Unless otherwise directed by Management Board, the capital plan narratives do not need to be submitted to Management Board for approval.

## **2.4 BUDGETING**

### **2.4.1 Definition and Purpose of a Budget**

The "Budget" of the Yukon Government is a formal financial plan that reflects the Government's objectives. The budget discloses the amount and sources of funds the Government will receive and the proposed expenditures of the Government.

The Yukon Government's budget is referred to as the "Main Estimates". Supplementary Estimates are used to amend the Main Estimates when revisions are required during the course of the fiscal year.

The budget is used to:

- determine the financial and other resources required to carry out plans assigned to managers;
- communicate planned activities in the common business language of dollars to the public, Legislature and employees;
- obtain Executive and Legislative approval of departmental programs and resource requirements;
- provide a basis for authorizing actions and expenditures; and
- provide a framework for monitoring and evaluating performance.

### **2.4.2 Types of Budgeting Methods**

Over the years, several methods of budgeting have been advocated and tried by various governments. The following describes some of the budgeting methods that may be used by Management Board from time to time.

#### **O&M Target Setting**

Management Board may establish operation and maintenance departmental budget levels by providing departments with a specified amount of funding often referred to as a "target". In arriving at the target for each department, Management Board may take into consideration such things as:

- new program priorities (this includes increases or decreases to existing programs, or new programs);
- program enhancement needs;
- items approved by Management Board since the last Estimates;



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- price/volume increases (sometimes referred to as forced growth since the increases may result from increased demand for services, legislated requirements, or price increases);
- program transfers between departments;
- recently devolved programs from the Federal Government;
- inflation;
- freezing/reducing levels of spending in certain areas; and
- projects or programs that are one-time in nature.

**Enveloping**

Management Board may establish budget levels (Operation and Maintenance and/or Capital) by means of enveloping expenditures. This involves identifying envelopes (e.g., envelopes could be based on types of services or types of benefits expected), allocating available resources to the envelopes, and grouping departments, or portions of departments, into those envelopes. Budgets are then prepared by departments that support the envelope objectives and reflect the level of resources allocated to each envelope. An example of envelope groupings is:

- economic development,
- social affairs,
- education, culture and recreation, and
- legislative and service to government.

**Incremental/Decremental Budgeting**

Incremental/Decremental budgeting consists of amending previous year budget items upward or downward (usually by a specified percentage) according to new priorities or constraints. This approach does not necessarily require a careful analysis of all budget items.

Since regular and detailed reviews of budgetary items is not mandatory under this system, workload on staff is reduced. The primary disadvantage of this system is that budgets are not evaluated in light of meeting government goals, objectives and priorities.

**Zero Base Budgeting Method**

Zero-base budgeting was developed in the 1970's to justify government programs and costs. In contrast to incremental budgeting, zero-base budgeting requires that the budget evaluation process begin with no initial commitment of resources.

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Each item in the budget must be evaluated and ranked against alternative items. Different levels of service may be proposed for a particular program, each level being assigned a ranking number. Selection of programs is based on the total funding available. Funds are assigned according to the ranking or priority code of the program. This process can become extremely complex, arbitrary and time-consuming.

The use of zero-base budgeting can result in the elimination of major programs, particularly if government priorities have shifted drastically since the development of the previous budget. However, the elimination of programs with low priority rankings is often subject to political and long-term commitment constraints.

**ABC Budgeting Method**

Activity Based budgeting is a method of budgeting which allocates planned expenditures against components of a process rather than by the traditional objects of expenditure. All costs associated with a process, including direct, indirect and administrative costs are allocated to particular components. For example, in the activity of mail services, instead of using the usual object codes of expenditure such as personnel, supplies, and postage, expenses would be attributed to such components as:

- pick-up and delivery services;
- sorting;
- handling and inquiries for special services; and
- distribution (e.g., affixing postage, verifying postal codes).

This budgeting method takes a lot of effort to apportion costs to the various activities, particularly if the expenditure accounts do not support separation of costs by activities.

However, the ABC budgeting method offers a good analytical tool for measuring performance, allocating resources and determining service/output costs. In addition, this tool provides a means to identify inefficiencies and areas for improvement in service delivery.

**Special Operating Agencies (SOAs)**

Although SOAs are more than just a "budgeting method", they are mentioned here because often SOAs use tailor-made budgetary methods. The concept of SOAs was designed to achieve new balance between the philosophy of control and risk avoidance and the desire to encourage innovation and promote initiative in the public service.

In essence, SOA status gives service delivery units increased management flexibility in return for agreed-upon levels of performance and results. SOAs remain part of a departmental

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organization and are accountable for results to this home department. However, unlike other departmental units, SOAs operate under a tailor-made, written understanding with the department. This understanding (consisting of a "charter agreement" and a business plan) covers the results and service levels expected, the relief from administrative rules that will be granted, if any, and the resources available to do the job.

In short, the SOA model is intended to provide increased freedom from department and government-wide administrative rules in return for a commitment to clear performance levels.

**2.4.3 Overview Memorandum**

For each fiscal year, the Department of Finance prepares an overview memorandum for Management Board to review. The memorandum includes:

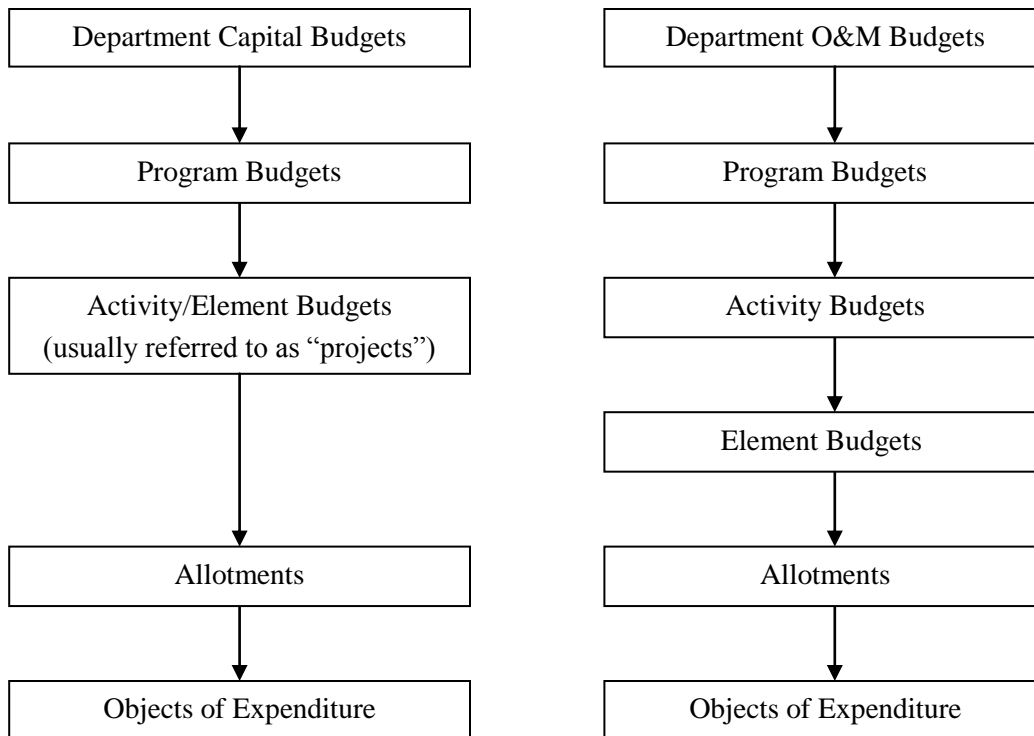
- an estimate of the total funds that will be available for government operations;
- a preliminary estimate of expenditure levels based on direction provided by the Minister of Finance and/or Management Board; and
- other relevant analysis and information. This may include such things as an economic forecast, historical expenditure levels, and options for future expenditure levels.

Management Board uses this overview memorandum when making resource allocation decisions for the next fiscal year.

### 2.4.4 Budget and Account Coding Structures

The overall government expenditure budget structure is as follows:

#### Yukon Government Budget



**Definitions:**

**Program** means that part of a vote identified as a program and which reflects government policy and is comprised of activities designed to accomplish a specified objective or set of objectives.

**Activity** means a sub-division of a program which is a focus for program planning and the setting of objectives, and is the lowest presented for debate in the Committee-of-the-Whole of the Legislative Assembly.

**Element** means a sub-division of an activity designed to attain the objectives of that activity.

**Allotment** means the parts of a program allocated to "Personnel", "Transfer Payments" or "Other" expenditures.

**Objects of expenditure** mean types of expenditures such as wages and benefits, travel or contracts. These objects are grouped into the three allotments: Personnel, Other and Transfer Payments.

**Application of the Budget and Account Coding Structures:**

The budgets of a department are allocated to programs in a manner that will best achieve the goals and objectives of the department and the Government as a whole. The program structure will vary between departments depending on the required individual management control of program delivery and expenditures. This is to ensure accountability is delegated appropriately to obtain expected results. These programs are further defined by being divided into activities, elements, allotments and objects.

The budget for a small department may simply have programs divided into objects of expenditures without using activity subdivisions because a small program may have no true activity subdivisions. Larger programs will almost invariably have programs divided into activities and elements.

Although revenues and recoveries may correspond to a specific program, activity or project, they are identified in a separate portion of the budget. This is because the *Financial Administration Act* requires that all programs be shown on a gross expenditure basis. In other words, recoveries or revenues cannot be netted ("net budgeted") against expenditures.

A standard chart of accounts has been developed for the Government as a whole that reflects the structure described above. See Chapter 4 of this manual for further details and definitions regarding the account coding structure.

## **2.4.5 5-Year Capital Financial Plan Update**

### **2.4.5.1 Definition of Capital Expenditures**

Capital expenditures are defined in Chapter 5 of this manual.

### **2.4.5.2 Definition of the 5-Year Capital Financial Plan**

This is a financial plan covering the capital expenditure requirements for the next five years.

### **2.4.5.3 Updating the 5-Year Capital Financial Plan**

#### **Process and Procedures**

Departments with capital expenditure requirements (excluding the Yukon Development Corporation) prepare and submit to Management Board a five-year plan which is updated every year.

### **2.4.5.3 (Continued)**

Once approved by Management Board, the first year of the plan becomes the next capital budget.

Capital budgeting is done by program, although emphasis is placed on projects within programs. The process is a bottom-up, zero-base type of planning, where departments prepare five year capital plans which comprise extensive details on each individual project.

Based on Management Board direction, the Management Board Secretariat provides departments with instructions (a call letter) explaining what information is to be contained in the budget submission and by when the submission is to be completed. Standard forms are usually provided to departments. For each project, departments are required to include in the plan such things as:

- a description of the project;
- the need for the project;
- the community location of the project;
- the number of years required to complete the project;
- the total estimated capital cost of the project and the financial and human resources required to complete the project, including the resulting O&M impact of the project;
- the priority of the project in comparison to the department's other capital projects;
- benefits from and beneficiaries of the project; and
- the economic impacts of the project (e.g., number of jobs created in the private sector by the project).

The 5-year capital financial plan must be approved by the department's Deputy Minister and Minister prior to submission to the Management Board Secretariat.

#### **Direct Costs**

To the extent possible or practical, program budgets and project estimates should include all direct costs associated with them. Note that there are some types of expenditures that are directly related to program delivery but reported centrally in only one department (e.g., the Department of Highways and Public Works may budget and report all purchases of pool vehicles).

#### **Personnel Costs**

Personnel costs are calculated using the number of full time equivalent (FTE) positions, classification levels and pay and benefit rates.

### **2.4.5.3 (Continued)**

An FTE is calculated by dividing the current regular bi-weekly hours an individual is paid by the regular hours approved for the position's class (e.g., an employee works 56 hours in the pay period in a class whose regular hours are 75; the  $FTE = 56/75 = .75$ ). This formula applies to all employees regardless of their category of employment with the following limitations:

- it excludes Justices of the Peace and M.L.A.'s;
- overtime hours are not included in the calculation of an FTE; and
- regular hours are those established by the Public Service Commission for each position's class.

#### **Disclosure of Grants and Contributions**

Departments must identify in their submissions, the amount of grants and contributions including the name of proposed recipient(s) or group of recipients and, if applicable, the statutory authority for making the grant/contribution. (The dollar value of all grants and contributions will be identified under the heading "Transfer Payments" in the Main Estimates.) See Section 2.5.5.2 of this Chapter for a definition of grants and contributions.

#### **Capital Recoveries**

Capital recovery projections are a vital component of the Capital budget. These projections are incorporated into the Estimates to provide a complete financial picture of the Yukon Government. Unlike expenditure projections, recoveries are not voted by the Legislative Assembly although they may be discussed by the Legislature. Note that when preparing budgets all expenditures must be shown on a gross basis. In other words, recoveries cannot be netted against expenditures.

#### **One Dollar Vote Items (\$1 vote)**

The Main and Supplementary Estimates will sometimes reflect "one dollar" budgets (\$1 vote) for specific items. The \$1 vote is a constitutional practice and courtesy to the Legislature that encourages the accountability of the Government (Cabinet) to the Legislative Assembly and the control of the Assembly over expenditures. The \$1 vote can be used in instances where it is the intention of Government to spend an unspecified, and presently unpredictable, amount of money on an item if the occasion requires. Management Board makes the final decision as to the appropriateness of using the \$1 vote for specific expenditure items. Once the amount of the expenditure is known, the amount is reflected in a department's variance report and, if required, in the associated Supplementary Estimates.

#### **2.4.5.4 Review of the 5-Year Capital Financial Plan by the Management Board Secretariat**

The Management Board Secretariat's main role in analyzing and reviewing the capital financial plan is, in conjunction with departments, to ensure that projects are consistent with established departmental objectives, standards and criteria and are prepared in accordance with any direction given by Management Board. The Secretariat is also responsible for preparing the consolidated submission for Management Board.

#### **2.4.5.5 Management Board Approval of the 5-Year Capital Financial Plan**

After the Management Board Secretariat completes its review, the Minister of Finance submits the 5-year capital financial plan to Management Board for review.

Management Board decides which, and to what extent, proposed projects will be funded for the upcoming fiscal year. Once this is done, departments update years one through five of the 5-year capital plan. The Management Board Secretariat then consolidates the Management Board-approved first year of the five-year departmental capital forecasts into a detailed overall government capital budget. The resulting Capital Estimates are tabled in the Legislative Assembly.

#### **2.4.5.6 Role of Department of Highways and Public Works**

Where Highways and Public Works is to be the performing department in accordance with General Administration Manual Directive #2.17, the department sponsoring the proposed capital project must obtain approval of the estimated cost of the project from the Department of Highways and Public Works before including it in the Capital Financial Plan. This approval is given by the Department of Highways and Public Works signing the project detail sheet included in the department's submission.

General Administration Manual Directive #2.17 on Project Planning and Implementation should be consulted for further information regarding the planning and implementation processes for capital projects.

The Department of Highways and Public Works also reviews departmental computer workstation and systems development plans in order to provide advice to departments and identify impacts on systems and services under the responsibility of the Department of Highways and Public Works. Under the authority of General Administration Manual Directive #2.3 on Information Technology Management, the Department of Highways and Public Works usually issues instructions to departments on how and when to prepare computer workstation and systems development plans.



#### **2.4.5.6 Role of Department of Highways and Public Works**

Where Highways and Public Works is to be the performing department in accordance with General Administration Manual Directive #2.17, the department sponsoring the proposed capital project must obtain approval of the estimated cost of the project from the Department of Highways and Public Works before including it in the Capital Financial Plan. This approval is given by the Department of Highways and Public Works signing the project detail sheet included in the department's submission.

General Administration Manual Directive #2.17 on Project Planning and Implementation should be consulted for further information regarding the planning and implementation processes for capital projects.

The Department of Highways and Public Works also reviews departmental computer workstation and systems development plans in order to provide advice to departments and identify impacts on systems and services under the responsibility of the Department of Highways and Public Works. Under the authority of General Administration Manual Directive #2.3 on Information Technology Management, the Department of Highways and Public Works usually issues instructions to departments on how and when to prepare computer workstation and systems development plans.

## **2.4.6 Operation and Maintenance Estimates**

### **2.4.6.1 Definition of Operation and Maintenance Expenditures**

Operation and maintenance expenditures are defined in Chapter 5 of this manual.

### **2.4.6.2 Preparation of the Operation and Maintenance Budgets**

#### **Process and Procedures**

Each fiscal year, departments (excluding the Yukon Development Corporation) prepare and submit to Management Board detailed operation and maintenance budgets. Based on direction provided by Management Board, the Management Board Secretariat provides the departments with budget instructions (a call letter) which outline and explain what information is to be contained in the budget submission. Standard forms are usually provided to departments. Management Board Secretariat instructions may be complemented by departmental instructions to assist program managers in the budget preparation process.

Management Board sets a deadline by when departmental budget submissions must be received by the Management Board Secretariat. Departmental submissions must be approved by the Deputy Minister and Minister prior to submission.

#### **Direct Costs**

To the extent possible or practical, program budgets and project estimates should include all direct costs associated with them. Note that there are some types of expenditures that are directly related to program delivery but reported centrally in only one department (e.g., the Department of Highways and Public Works may budget and report all office space leases or fuel for pool vehicles).

### **Forecasting Expenditures**

When preparing the O&M budget, managers must, of necessity, forecast expenditures. Several factors can be considered when doing a forecast:

- organizational goals and priorities, and the alternatives to achieve those goals and priorities in an effective, efficient and economical manner;
- changes in eligible clients;
- changes in demographics of clients;
- past output volumes and performance levels versus forecast levels;
- general economic and industry conditions (e.g., Gross National Product, personal income, employment, inflation rates);
- seasonal variations in program demands; and
- relevant research, surveys, etc. that indicate such things as social conditions and trends.

### **Personnel Costs**

Personnel costs are calculated using the number of full time equivalent (FTE) positions, classification levels and pay and benefit rates. An FTE for O&M purposes is calculated in the same manner as that for Capital purposes described in Section 2.4.5.3 of this Chapter.

### **Disclosure of Grants and Contributions**

Departments must identify in their submissions, the amount of the grants and contributions including the name of proposed recipient(s) or group of recipients and, if applicable, the statutory authority for making the grant/contribution. (The dollar value of all grants and contributions will be identified under the heading "Transfer Payments" in the Main Estimates.) See Section 2.5.5.2 of this Chapter for a definition of grants and contributions.

### **Revenue and O&M Recoveries**

Revenue and O&M recovery projections are an essential component of the O&M budget. These projections are incorporated into the Estimates to provide a complete financial picture of the Yukon Government. Unlike expenditure projections, revenue and recoveries are not voted by the Legislative Assembly although they may be discussed by the Legislature. Note that when preparing budgets all expenditures must be shown on a gross basis. In other words, recoveries or revenues cannot be netted against expenditures. See Chapter 7 of this manual for complete details on the accounting and control of revenues.

**One Dollar Vote Items (\$1 vote)**

The Main and Supplementary Estimates will sometimes reflect "one dollar" budgets (\$1 vote) for specific items. The \$1 vote is a constitutional practice and courtesy to the Legislature that encourages the accountability of the Government (Cabinet) to the Legislative Assembly and the control of the Assembly over expenditures. The \$1 vote can be used in instances where it is the intention of Government to spend an unspecified, and presently unpredictable, amount of money on an item if the occasion requires. Management Board makes the final decision as to the appropriateness of using the \$1 vote for specific expenditure items. Once the amount of the expenditure is known, the amount is reflected in a department's variance report and, if required, in the associated Supplementary Estimates.

**Statistics**

The Main Estimates for the O&M budget include statistics pages. The statistics provide supplementary information related to the budget (e.g., number of students, number of beds available at different health care facilities, type and number of business licenses issued, etc.). The statistics should ideally include workload, activity indicators and performance indicators that can be used for program evaluation purposes.

**2.4.6.3 Review of the Operation and Maintenance Budget Submissions by the Management Board Secretariat**

The Management Board Secretariat's main role in analyzing and reviewing the O&M budget submissions is to ensure that the submissions are prepared in accordance with any direction given by Management Board. The Secretariat is also responsible for preparing the consolidated submission for Management Board.

**2.4.6.4 Management Board Approval of the Operation and Maintenance Estimates**

After the Management Board Secretariat completes its review, the Minister of Finance submits the Operation and Maintenance budgets to Management Board. The Board reviews and revises the departmental Operation and Maintenance budgets as required.

Once the final budgets are approved by Management Board, the Management Board Secretariat prepares the Operation and Maintenance Estimates for legislative tabling.

## **2.4.7 Legislative Approval of Supply**

After review and acceptance of departmental budget proposals by Management Board, the following documents are prepared to present the capital and operation and maintenance budgets for the new fiscal year:

- the Main Estimates (Capital and O&M Estimates may be separate documents or a single combined document);
- the Budget Address;
- press releases and other special information documents as required; and
- an Appropriation Act(s).

The Main Estimates, Budget Address and Appropriation Acts are tabled in the Legislative Assembly.

### **2.4.7.1 Main Estimates (Capital and/or O&M Estimates)**

Once final budget submissions are prepared by departments and approved by Management Board, the Main Estimates are prepared by the Management Board Secretariat. The Main Estimates are then approved by Management Board for tabling in the Legislative Assembly.

The Main Estimates include previous years' actuals or forecasts for comparative purposes. If a reorganization causes programs or portions of programs to shift between organizational units, the previous years' actuals or forecasts are often "restated". This means that the previous years' numbers are changed to reflect the new, reorganized structure.

### **2.4.7.2 The Budget Address**

When presenting the Estimates for the new year, it is tradition for the Minister of Finance to present the Government's financial plan in a budget address to the Legislative Assembly.

The budget address is prepared jointly by the Minister of Finance's office and the Department of Finance with input from departments as required. The budget address generally contains:

- a budget speech which includes highlights of the major government initiatives reflected in the budget; and
- a number of statistical analyses and presentations.

### **2.4.7.3 Press Releases and Special Information Documents**

Press releases are prepared by the Executive Council Office in conjunction with the Department of Finance and contain narrative summaries of the major policy initiatives of the Government for the coming year.

When the Main Estimates are tabled in the Legislature, they may be accompanied by other special information documents. These documents provide detailed information on specific topics (e.g., a detailed report of the size of the Government's workforce).

### **2.4.7.4 Appropriation Acts, Interim Supply Acts and Special Warrants**

Government expenditures must receive legislative authority before they can be incurred. This authority can be obtained through Appropriation Acts, Interim Supply Bills, or, when the Legislature is not sitting, through a Special Warrant.

#### **Appropriation Acts**

The Management Board Secretariat prepares draft Appropriation Acts to cover Main and Supplementary Estimates and forwards these to the Department of Justice for drafting. The Acts are then reviewed and approved by Cabinet. After approval by Cabinet, Appropriation Acts are tabled in the Legislative Assembly.

All Appropriation Acts receive three readings and debate in the Assembly. Detailed review and debate takes place in the Committee of the Whole where M.L.A.'s examine the Main Estimates document. This is often referred to as a "line by line" review.

Once the Appropriation Act for the Main Estimates has received third reading and Royal Assent, departments have authority to make commitments and incur expenditures for approved programs and activities in accordance with objectives and prescribed policies and procedures.

#### **Interim Supply Bills**

Appropriation Acts may be drafted for interim supply (referred to as Interim Supply Bills) should debate on the budget by the Legislature extend beyond the beginning of the fiscal year of the budget. Interim supply will grant spending authority to departments for the period of the new fiscal year during which the Main Estimates are being debated by the Legislature and are therefore not yet law. For example, if the Legislature was sitting in March and debate of the O&M Mains for the upcoming fiscal year was not going to be completed by March

31, an Interim Supply Bill could be tabled and passed for a specified period of time, e.g., the month of April. This would grant spending authority for the month of April while the Main Estimates continue to be debated. If the budget is not passed by the end of April, a second Interim Supply Bill could be prepared for approval by the Legislature for the month of May. This second Bill could either be incremental (i.e., add to the amounts approved in the Bill for April) or non-incremental (i.e., April's approvals lapse at the end of April and if the lapsing funds are required in May they would have to be included in the Interim Supply Bill for May).

### **Special Warrants**

Special warrants issued under the authority of the Commissioner grant legislative authority on a temporary basis should the need arise for expenditure approval while the Legislative Assembly is not in session. An Appropriation Act must be presented to the Assembly in the next legislative session to cover amounts approved in a special warrant.

## **2.5 BUDGETARY CONTROL**

Budgetary control refers to the process whereby the performance of an organization is monitored and evaluated. Budgetary control in a governmental setting has two major aspects:

- expenditures must be continuously monitored to ensure they do not exceed legislative Appropriations; and
- output results must be evaluated to ensure that resources are used in an efficient and effective manner in the delivery of services and reflect government and departmental goals and objectives.

Major systems and tools within the Yukon Government that can be used to monitor and control budgets include:

- the central FMIS including the Commitment Accounting System;
- financial reports (generated by a wide-variety of systems, e.g. FMIS and FIRM);
- performance indicators developed and used by departments;
- comprehensive reviews of departmental budgets;
- limits placed on the authority to transfer approved budget funds;
- revisions to budgets;
- audits of departmental spending by the Auditor General of Canada or Internal Audit; and
- review of government activities by the Public Accounts Committee.

### **2.5.1 Central FMIS Including the Commitment Accounting System**

Once the budget (supply) is approved per Section 2.4.7.4 of this Chapter, the budget amounts are input into the central computerized "Financial Management Information System" (FMIS). This system assists departments with monitoring and controlling implementation of their budgets throughout the fiscal year by recording and reporting on the financial transactions of the Government. This system consists of several financial applications including Accounts Payable, Accounts Receivable, Fund Accounting, and General Ledger.

Commitments are known or anticipated future expenditures (e.g., purchase requisitions, purchase orders, contracts, work orders). Departments can record commitments and decommitments in the commitment accounting system. It is important to account for



commitments since this provides managers with information about future expenditures that must be taken into account when evaluating nominally free balances. Chapter 5 of this manual should be consulted for more information on commitment accounting.

### **2.5.2 Financial Reports**

Financial reports can be prepared using:

- the central financial management information system (FMIS) maintained by the Department of Finance; and
- specialized financial information systems maintained by departments (e.g., FIRM, and departmental SAS systems).

The reports must provide managers with the information they require to make informed, timely decisions and forecasts about their budgets and programs. Therefore, as a minimum the reports should:

- provide details of budget and actual amounts for recoveries, revenues and expenditures;
- compare "actual expenditures and commitments to date" with "budgets to date" and calculate a "variance to date";
- compare "actual expenditures and commitments to date" with "annual budgets" and calculate a "free balance" (budget not yet committed or spent).

Officers and managers preparing/using the reports should ensure that the budget amounts reconcile to the approved Estimates.

### **2.5.3 Performance Indicators**

Measuring results achieved (performance) is a key component of an accountability structure. One method to measure results is to develop performance indicators (targets or standards) and compare actual performance to these targets or standards.

A comprehensive central system of performance indicators is not available in the Yukon Government. Developing performance indicators and using them to measure performance is an on-going responsibility of the individual departments and program managers and the Department of Finance. The Bureau of Management Improvement in the Executive Council Office also provides management improvement and program evaluation services to the Yukon Government.

## **2.5.4 Comprehensive Budget Reviews**

Periodically, Management Board may instruct that a comprehensive review be undertaken of a department's budget or components of its budget. Depending on direction from Management Board, this review could be conducted by the Management Board Secretariat, the Bureau of Management Improvement or another agency. Ideally, however, such reviews are usually best done by the subject department with help from one of the just-mentioned agencies. The review would normally involve a detailed examination of the budget in conjunction with government and departmental goals, objectives and priorities.

## **2.5.5 Authority to Transfer Budget Funds**

Authority to transfer budget funds is controlled by the *Financial Administration Act* and by Management Board. **The restrictions placed on transferring budget funds by this Section 2.5.5 must be adhered to and, subject to the *Financial Administration Act*, can only be changed by Management Board.**

### **2.5.5.1 Vote Control**

A vote is defined by the *Financial Administration Act* as "that part of an appropriation Act identified as a vote and authorizing the payment of a specified amount from the consolidated revenue fund for specified purposes". Usually a department's O&M budget is defined as one vote and its Capital budget is defined as another vote.

**Per the *Financial Administration Act*:**

- only the Legislative Assembly may approve an increase in the money in a vote,
- the balance of a vote that is not spent or accrued at the end of a fiscal year lapses, and
- a payment cannot be made from a vote unless there is sufficient funds in the vote to make the payment.

### **2.5.5.2 Legislated Grant Control**

For the definition of a "legislated grant", refer to Chapter 5, subsection 5.9.1 of this manual.

Only the Legislative Assembly may approve a transfer of money into or out of a legislated grant.

### **2.5.5.3 Program Control**

#### **Minister's Authority**

Programs are identified in the Main Estimates. Subject to Sections 2.5.5.1 and 2.5.5.2 of this Chapter, a member of the Executive Council (Minister) may, in writing, authorize transfer of money between and within programs of a department for which the Minister is responsible.

#### **Delegation of Minister's Authority to the Deputy Minister**

A Minister may, in writing, delegate his/her authority to transfer funds to the Deputy Minister responsible for the budget. Note that, per Section 2.5.5.2 of this Chapter, only the Legislature can approve a transfer of money into or out of a grant so authority to transfer within or into/out of grants has not been delegated to the Minister or Deputy Minister. However, the authority to transfer budgeted amounts for contributions has been delegated to Ministers (see "Minister's Authority" section above) and this authority can be redelegated.

The delegation of authority from the Minister to the Deputy Minister to transfer budgeted funds shall be recorded by way of a letter signed by the Minister. The letter must clearly indicate the authority that is delegated (e.g., authority to transfer within and between all programs) and any restrictions placed on the delegated authority (e.g., authority to transfer budgeted funds is limited to a specified dollar amount or a certain period of time). A copy of the letter shall be sent to the Department of Finance (Management Board Secretariat).

#### **Delegation of Authority by the Deputy Minister**

The Deputy Minister may redelegate the authority to transfer within a program except insofar as grants are concerned. The Deputy Minister cannot redelegate the authority to transfer between programs. Departments are responsible for developing and administering any procedures they require related to authority under this Section 2.5.5.3 that the Deputy Minister redelegates. Departments are not required to advise the Department of Finance about these procedures.

### **Recording Budget Transfers**

Program transfers approved either by the Minister, or the Deputy Minister if authority is delegated, must be recorded in writing. Any transfers approved to move budgeted amounts within or into/out of contribution agreements must also be recorded in writing. A copy of the written record of these transfers shall be sent to the Deputy Minister of Finance.

Departments are responsible for developing and administering procedures for recording all other budget transfers.

### **Tracking Budget Transfers in the Central FMIS between Supplementary Estimates**

Currently there are only two available budget fields (buckets) in the central FMIS and they are being used for Mains and Revised Estimates. Departments can use FIRM or other departmental SAS systems for recording and reporting budget transfers between Supplementary Estimates.

#### **2.5.5.4 Exemptions**

The Sections 2.5.5.2 and 2.5.5.3 of this Chapter do not apply to the Yukon Liquor Corporation, the Yukon Housing Corporation and the Yukon Development Corporation.

#### **2.5.6 Revisions to Budgets**

From time to time departments may have to revise their budgets. There are two ways departments can seek Management Board approval to revise budgets:

- individual Management Board submissions; and
- Variance Reports.

If Management Board approves increases to departmental budget levels or transfers (e.g., between O&M and Capital budgets or between departments), then Supplementary Estimates are prepared for approval by the Legislative Assembly. In certain circumstances a Special Warrant, granting increased vote authority, may be approved by the Commissioner. See Section 2.5.6.2 of this Chapter for more details on Special Warrants.

### **2.5.6.1 Management Board Submissions**

Departments can prepare Management Board submissions which request changes to budget levels or allocations during a fiscal year. Although Management Board does not have the authority to increase a department's budget (vote), the Board does have the authority to reallocate funds within votes and can make decisions to include increases to budget levels in Supplementary Estimates for approval by the Legislative Assembly or recommend to Cabinet that a Special Warrant be approved by the Commissioner.

Refer to Chapter 3 of this manual for further details on the Management Board submission process.

### **2.5.6.2 Variance Reports and Supplementary Estimates**

#### **Purpose of Variance Reports**

Variance reports are prepared to compare forecasts of annual expenditures, recoveries and revenues to voted (budgeted) amounts. These reports identify, for Management Board's consideration, potentially significant variances between the budgeted amounts and the projected amounts. Variances usually result from:

- unforeseen changes in volumes or costs,
- changes to project implementation timelines,
- changes to mandates or objectives of programs, and
- new initiatives.

#### **Timing of Variance Reports**

Formal Variance Reports for Management Board review are to be prepared by departments, for the months of June, September, November, January, February and March with exception reports prepared as required. (Periods for the Variance Reports are: 03, 06, 08, 10, 11, 12.) Unless otherwise directed by Management Board, departments are to submit their reports to the Management Board Secretariat in the Department of Finance by no later than the 5th business day of each month. The Department of Finance will then prepare a submission for review by Management Board as quickly as possible. From time to time, Management Board may also direct that variance reports be prepared for additional or different time periods.

### **Approval of Variance Reports**

Reports are to be approved by the Ministers and/or Deputy Ministers as directed by Management Board. If Ministers are not required to approve the reports, departments should brief their Ministers on the content of the reports since Ministers will have to speak to the reports when they are reviewed by Management Board.

### **Format and Content of Variance Reports**

Based on Management Board direction, the Management Board Secretariat provides departments with instructions regarding the format and content of the variance report submissions. Unless Management Board provides specific direction, departments have full discretion over the variances to be disclosed in the reports. For example, some departments may decide that variances under \$10,000 will not be reported. However, another department may decide that all variances over \$1,000 will be reported. When departments are deciding what variances to reflect in the reports factors to consider include:

- whether Management Board has already made a decision, based on an individual Management Board submission, regarding the variance (e.g., Management Board may have already approved for inclusion in the variance report a revision to the department's O&M budget).
- whether a vote increase will be or is likely to be required to cover the variance. Reports can include both variances that departments are certain will occur as well as variances that may occur.
- whether the variance will/could result in surplus funds available for reallocation.
- whether the variance is material. Factors to determine if a variance is material include:
  - the size of the variance taking into consideration that the variance may be combined with several variances of similar size (e.g., although a department may consider a variance of \$50,000 not material, if ten departments each have variances of \$50,000 the total is \$500,000); and
  - the size of the variance in comparison to the size of the department's budget.
- whether Management Board should be informed of the variance for another reason. For example:
  - even though a variance may not be material in size, the nature of the variance may warrant disclosure;

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- the department may want to inform the Board of a material variance funded from internal offsets;
- some internal transfers between allotments, programs, etc. may be of a nature that the department will want to advise the Board. The variance report can be used for this disclosure.

Departments are also responsible for deciding how much detail to provide when explaining the variances. The full content of the reports received by Finance will normally be submitted to Management Board. Therefore, to keep the reports to a reasonable size it is important to include only the essential information.

**Review of Variance Reports by Management Board**

Management Board Secretariat will prepare the Management Board submission and then it is submitted to Management Board for review. The submission will normally consist of summary pages that totals all the variances and the variance reports received from departments. A commentary or analysis prepared by the Management Board Secretariat may also accompany the reports. For funding requirements identified on the variance reports Management Board may decide to:

- accept the requirements for information and continue to monitor the situation;
- give departments specific direction regarding the funding requirements, including requesting departments to prepare more detailed submissions on specific items; or
- direct the Department of Finance to prepare a Special Warrant or Supplementary Estimates as appropriate.

If Management Board approves or denies the variances, departments must maintain or adjust the level of service accordingly.

**Preparing Supplementary Estimates based on the Variance Reports**

Management Board may approve "in principle" increases to departmental votes. However, even if these increases are offset by decreases in votes of other departments, the Legislature's approval is required for any of the vote increases.

To obtain the Legislature's approval, Supplementary Estimates are prepared. These Estimates usually reflect changes in revenues and recoveries and the increases and decreases to votes in order to provide a total revised financial position for the Government. The Estimates are tabled in the Legislature with an accompanying Appropriation Act. Once the Act is approved by the Legislature departments have legal authority for the increased vote levels.

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Since the Supplementary Estimates include details of O&M programs, capital programs and projects, and revenues and recoveries, departments will be requested to provide the Management Board Secretariat with detailed reports that reconcile to the approved variance reports. These detailed reports will need to show:

- revised budget balances of:
  - O&M programs, activities and allotments,
  - capital programs and projects,
  - individual grant and contribution items, and
  - individual revenue and recovery items.
- variance explanations for all items reflected in the Supplementary Estimates; and
- other information that may be required by Management Board.

The Secretariat will then use these reports to prepare draft Supplementary Estimates for review and approval by departments, Ministers and Management Board. These reports will also be used, as appropriate, to prepare the "forecast" column in the Main Estimates of the subsequent fiscal year.

**Preparing a Special Warrant for Supplementary Funding**

If the Legislative Assembly is not sitting and supplementary funding is required prior to its next sitting, a Special Warrant can be prepared. Special Warrants for supplementary funds reflect only vote increases. Special Warrants must be approved by Management Board and Cabinet and signed by the Commissioner. Once they are signed by the Commissioner they give departments official authority for the increased votes. The amount included in the Special Warrant must be submitted to the Legislature as part of an Appropriation Act at the next sitting of the Legislature.

Refer to the section on Special Warrants in the *Financial Administration Act* for more details of when a Special Warrant may be used.

**Updating the FMIS**

Once the Supplementary Estimates are passed by the Legislature, or a Special Warrant is signed by the Commissioner, the updating of the central FMIS to reflect the revised budgets is co-ordinated by the Department of Finance.



### **2.5.6.3 Revotes of O&M and Capital Funds**

A revote is defined as the re-appropriation of money that was appropriated for an O&M or capital project and that has lapsed (i.e., was unspent) in the previous fiscal year. Normally the revote is for work not completed on a specific O&M or capital project during the past fiscal year and the related lapsed funding is required in order to complete the project during the current fiscal year.

Management Board may ask departments to identify their revote requirements by way of a call letter (instructions) issued by the Management Board Secretariat. The revote submissions are then summarized by the Secretariat and reviewed and approved/rejected by Management Board. If a revote is not approved, departments have the options of deferring or cancelling the project or reallocating funds from other projects. Approved revotes are reflected in the first variance report of the subsequent year and the associated Supplementary Estimates.

**The following is an example of how the revote process works:**

Major capital renovations to an existing school are being undertaken in 1993/94 and scheduled for completion by year-end (March 31, 1994). The entire budget is reflected in the 1993/94 Main and/or Supplementary Estimates. Due to unforeseen project delays the renovations cannot be completed by year-end. The portion of funds not spent by year-end lapse (per the *Financial Administration Act*). The department could request the funds that lapsed be "revoted" in 1994/95 to finish the renovations. If the revote is approved by Management Board it would be included in the first Supplementary Estimates for 1994/95 for approval by the Legislative Assembly. Once approved by the Legislature, the department has the legal authority to spend the revoted funds.

## **2.5.7 Auditors**

### **Auditor General for Canada**

The Auditor General for Canada, appointed under the Yukon Act (Federal), examines the Government's accounts and prepares a report stating whether proper books of accounts have been kept and whether financial statements are consistent from year to year and if these statements are representative of territorial financial activities and in agreement with the books of account.

The Auditor General's "Report on Other Matters to the Yukon Legislative Assembly" discusses matters that, in the Auditor General's opinion, should be brought to the attention of the Assembly. This annual report is tabled in the Legislative Assembly and reviewed by the Public Accounts Committee. Departments are responsible for providing the Auditor General with information and for addressing the issues identified in the reports.

**Internal Auditor**

The authority of the Internal Auditor is established by the Financial Administration Act. Refer to Policy #1.13 in Volume 1 of the General Administration Manual for more information on the role of the Internal Auditor.

**2.5.8 Public Accounts Committee**

In December 1979, the Legislative Assembly established a Standing Committee on Public Accounts. The committee reviews the annual Public Accounts and the Auditor General's Report On Other Matters and makes recommendations to the Legislature.

It is empowered to examine, inquire into, and report on all matters concerning the financial administration of the Yukon Government and such matters as may be placed before it by the Assembly.

The committee may examine papers, records and call witnesses (e.g., departmental officials) as it deems appropriate, and report back to the Assembly from time to time.