



Risk Management Framework for Grants & Contributions Funding

Purpose

The purpose of this framework is to define the risk management approval process for Consolidated Revenue Fund (CRF) funded Grants & Contributions (G&Cs), and to outline the documentation required to support risk management requests.

Definition & Application

Risk Management (RM)

In the existing document, Gs&Cs Risk Management (RM) represents an amount required to start spending or committing against Gs&Cs programs or initiatives in situations where a policy decision is made but:

- There is no corresponding source of funds (incoming funding);
- There is a corresponding source of funds but is pending Treasury Board (TB) approval via TB Submission or other;
- There is a corresponding source of funds, which has been approved by TB, but is pending Royal Assent (Parliament's authorization to spend via the appropriation bill approval of Main or Supplementary Estimates).

Once risk management is approved and funding is allocated to the program, the department will need to manage the financial risk until the funding is approved or amounts are transferred from other programs.

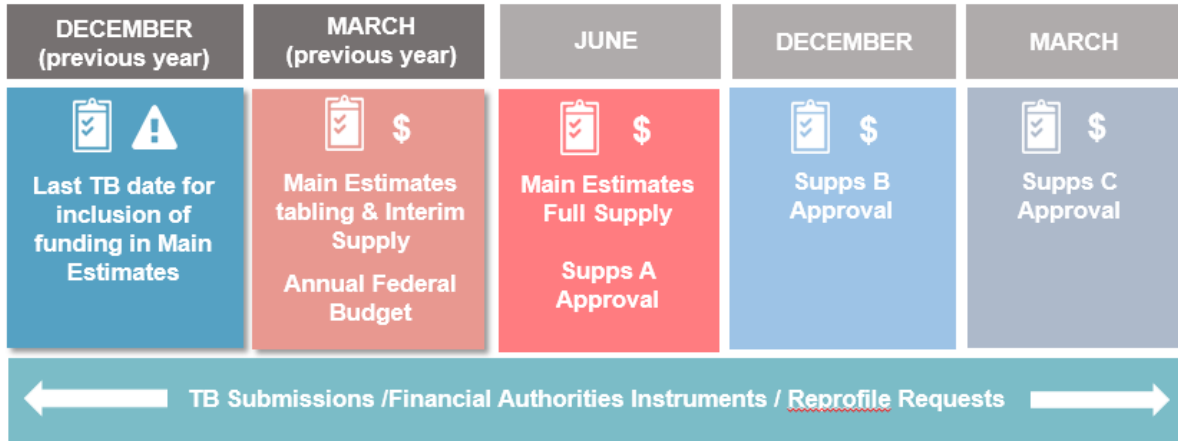
Risk Management (RM) With a Potential Source of Funds:

Occurs when a policy decision is made and funding for a specific program is forthcoming and there is a requirement to allocate the budget beforehand in order to begin committing or spending for the current and/or future fiscal years.

The department receives access to Gs&Cs funding only when a TB submission or a reprofile request is approved **and** Royal Assent (Approval) is received for the Supply Bill in which it is included: Supplementary Estimates (A, B or C). As such, risk management may be requested for funding, pending approval.



The timeline below provides an overview of the Supply Cycle key dates:



Note: the requirement for Royal Assent only applies to Consolidated Revenue Fund (CRF) funded Gs&Cs. For EI Part II funded G&Cs, the department has access to the funding as soon as the item’s TB Submission is approved.

Below are examples of situations where risk management with a source of funds may be required:


- A TB Submission, which includes increased funding for a program, is planned for September. It has not yet received TB approval and Royal Assent. RM may be required until Supps B Royal Assent (approval) in December.
- A TB Submission, which includes increased funding for a program, has received TB approval in February for the following fiscal year. RM may be required until Supps A Royal Assent (approval) in June.
- A reprofile request, has received Department of Finance approval in February for the following fiscal year. RM may be required until Supps A Royal Assent (approval) in June.

When a minority government is in place, RM with a Potential Source of Funds must be limited to a minimum (i.e. minimal amount essential to start or continue delivering an initiative or a program until the funds are secured, and only if required) given that there are risks that an election process is initiated before Supplementary Estimates receive Royal Assent.

Risk Management (RM) Without a Source of Funds:

Occurs when funding is required but there is no source of funds.

These items must be risk managed against anticipated Gs&Cs lapses, and therefore carry a higher degree of risk.



Below is an example of a situation where risk management without a source of funds may be required:

- A Federal Budget includes an announcement that a program will deliver a new initiative, which must be absorbed internally.

Governance

Given the impacts of risk managed funding across the organization, particularly when there is no source of funds, ESDC requires more active oversight to ensure the department's priorities and global financial position are considered.

As such, ADMs and the CFO meet at every forecasting period and before the beginning of the year to discuss ESDC Gs&Cs risk management needs, and to ensure that CFOB has a complete list of approved and potential risk management.

Approval Process

Deputy Minister (DM) approval is required through a briefing note (BN) for all risk management of departmental Gs&Cs funding. Each request should be originated and signed by the responsible Assistant Deputy Minister (ADM) (including the Program Operations Branch (POB) or Benefit Delivery Services (BDS) ADM, if responsible for delivery) and routed through the Chief Financial Officer (CFO). The BN must include:

- 1- Program name;
- 2- Risk management amount requested by fiscal year;
- 3- Whether the risk management request has a source of funds or not;
- 4- For risk management requests with a source of funds, provide the details of the expected funding (e.g., reprofile approved, funding will be available through Supps B);
- 5- A rationale explaining the need to manage the risk, the impact of not receiving the funding, and risks mitigation measures;
- 6- Timing implications: when is the approval of the risk management request required and what are the cash flow requirements;
- 7- Other relevant information such as previously approved risk management requests for the current item, central agency approvals, etc.



Risk Management Reimbursement

Risk Management With a potential Source of Funds:

Items that are risk managed with a source of funds will be reversed once Royal Assent of Supplementary Estimates is received for the specific initiative, prior to allocating the TB Submission funding.

Risk Management Without a Source of Funds:

In order to limit risk to the department and ensure that risk managed amounts without a source of funds are offset by lapses, an analysis of the Gs&Cs forecasts and financial situation is performed throughout the year. This is done at each forecasting period. Gs&Cs programs ADMs along with the CFO review the potential and allocated risk managed amounts and discuss the forecasts and strategy going forward.

Closer to year-end, transfers of budget within or between programs are required to offset risk managed items. In the last quarter of the fiscal year, an analysis will be done, based on the P10 forecast, to identify projected lapses and related necessary transfers to offset risk managed amounts. These transfers will require DCFO and program ADM approval¹ and based on the following principles:

- 1- Where possible, risk managed amounts will be covered within the same program for which a risk management request has been submitted. The main reason is to ensure that budgets and results align as much as possible with external reporting (i.e. Departmental Results Report).
- 2- If not possible, a different program source must be identified.
- 3- At the very end of the fiscal year, lapses not previously forecasted could emerge within a program for which there was a risk management request without a source of funds. If this is the case, this lapse will be used to cover the initial risk managed amount requested and a transfer back to the program that covered the risk managed amount will be made (e.g., Program A covered program B's risk management without a source of funds. If Program B lapses an amount at year-end, Program B will transfer the amount back to Program A).

¹ The Financial Management Advisor (FMA) will initiate the reimbursement process in the last quarter of the fiscal year and support the DCFO and ADMs in identifying transfers required.



Exclusions

- Risk management requests for grants are not possible, as the department cannot exceed its grant authority without both TB approval and Royal Assent of either the Main Estimates or Supplementary Estimates. The only way to accommodate a financial risk of a grant is to transfer funding from another existing ESDC Gs&Cs program via the Supplementary Estimates. Approval of the program ADM responsible for the grant is required.
- Risk management requests for a program for which new Terms and Conditions (T&Cs) are not already approved by TBS are not possible as commitments and expenditures cannot occur for a program for which the T&Cs are not approved.

