

**Ministry of Children,
Community and Social
Services**

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Operational Finance Branch

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YEAR-END RECONCILIATION

VERSION: FEBRUARY 2022

PREAMBLE

MCCSS is required to comply with financial management directives and policies as enacted by the government and enforced by Treasury Board.

These directives and policies include (but may not be limited to) the [Transfer Payment Accountability Directive](#), and the [Transfer Payment Operational Policy](#).

Where applicable, these directives and policies inform and constrain MCCSS-specific financial policies. A description of relevant directives and policies can be found in Appendix A at the end of this document.

All ministry-specific and Treasury Board financial management policies are subject to [Public Sector Accounting Standards](#).

1. PURPOSE

This policy provides the year-end reconciliation and verification requirements which represent the final element of the Transfer Payment Business Cycle. The ministry's approved funding must be reconciled with the Transfer Payment Recipient's (TPR) year-end audited actual information to determine if funding is either owed to the TPR or shall be recoverable by the ministry.

Verification of reported information as provided through Transfer Payment Annual Reconciliation Report (ARR) or other forms of year-end reconciliation reports is required to provide the ministry with independent information on the annual information reported by the TPR.

2. APPLICATION AND SCOPE

This policy applies to all TPRs who provide services funded by the ministry through expenditure-based funding, including Consolidated Municipal Service Managers (CMSMs), District Social Service Administration Boards (DSSABs), and First Nations.

This funding is normally provided through a Service Contract, *Child, Youth and Family Services Act* (CYFSA) Approval or Grant Letter. For major capital funding, the mechanism is normally an Infrastructure Project Agreement. Where applicable, the program specific policies, processes and/or procedures must be used.

3. APPROVALS AND RESPONSIBILITIES

Regional/Corporate Branch Directors and their delegated ministry staff must ensure that all documentation as outlined in this policy is received according to the specified timelines as mentioned in the Transfer Payment Business Processes due dates and submission requirements. The submitted documentation is subject to review, analysis, and completion as per ministry agreements and policies.

Please refer to the Recoverable Funding and Corrective Actions Policy for additional information.

Regional/Corporate Branch Directors and their delegated ministry staff must account for all public funds allocated for transfer payment programs and to ensure that provincial funds are either used as specified in legal agreements or returned to the provincial treasury (Consolidated Revenue Fund).

4. MANDATORY REQUIREMENTS

4.1 YEAR-END RECONCILIATION REPORTS

Year-end reconciliation reports must be prepared for the applicable services and submitted by the TPR at the request of the ministry. (e.g. Annual Reconciliation Report (ARR), Ontario Works Reconciliation Report (OWRR), Child Welfare Transfer Payment Annual Reconciliation (CW-TPAR) Etc.)

4.2 ACCOUNTING RECORDS

When a TPR delivers ministry-funded services, separate accounting records must be kept for each service and by component. These records must include all expenditures, ministry funding, recoveries and revenue/monies received from other sources, such as fundraising, other ministries or other governments.

4.3 CERTIFICATION / ATTESTATION

To certify the TPR's year-end reconciliation report, the appropriate officer (e.g. Chief Financial Officer or Treasurer) must indicate in writing that the financial information contained in the year-end reconciliation report is valid and has been prepared according to ministry issued instructions and financial policies. The Board of Directors must sign for receipt of the certification and the year-end reconciliation report.

4.4 AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

Unless the ministry indicates otherwise, TPRs are required to submit audited financial statements.

The ministry may request supplementary information, segmented by component that includes a schedule of revenue and expenditures.

Unless the ministry indicates otherwise, supplementary information schedules require a minimum of a review report prepared by an independent professional accountant.

Note the following exceptions:

1. The ministry office has discretion to waive the requirement for audited financial statements and/or supplementary information if all three of the following criteria are met:
 - i. Where total funding (from all sources) is **less than \$100,000**
 - ii. Audited Financial Statements are **NOT** required under legislation, and
 - iii. Audited Financial Statements are **NOT** already prepared for other purposes

Where this discretion is exercised, it must be documented by the ministry office and the TPR must provide general purpose annual financial statements certified by the TPR's Board of Directors.

Note: the ministry retains the right to allow ministry staff or other persons authorized by the Province of Ontario to inspect and audit the TPR's books and records at all reasonable times.

2. Where exceptional circumstances exist, the ministry office has the discretion to exempt the TPR from submitting supplementary information.

Where this discretion is exercised it must be documented and the TPR must provide mutually agreed upon alternative information.

Note: ministry reporting expectations may be communicated within contracts, memos or legislation. For example, per the [Child, Youth and Family Services Act](#) (CYFSA), children's aid societies are required to have an annual audit completed by a public accountant. A society shall provide to the ministry on or before the date requested by the ministry the completed audit report and its annual financial statement. Refer to the

Child, Youth and Family Services Act for more information.

4.5 POST AUDIT MANAGEMENT LETTER

Where applicable, the TPR must submit to the ministry its annual post audit management letter. This letter is generally issued by independent professional accountants after the completion of the annual audit.

If such letter is not available, the TPR must confirm in writing to the ministry office the reasons for its unavailability.

5. REPORTING TIMELINES

The date the government reports its financial position is March 31st of the fiscal year. This is known as the Financial Statement Date.

The Stub Period is the period between the Financial Statement Date and the date the financial statements are completed.

The ministry requested year-end reconciliation and independent verification reports or audited financial statements must be submitted to the appropriate ministry office on or before the last day of the fourth month following the government's Financial Statement Date unless otherwise directed.

Exceptions:

- Consolidated Municipal Service Managers (CMSMs)/ District Social Service Administration Boards (DSSABs) must submit within five months of the government's applicable Financial Statement Date, for calendar year programs only
- Ontario Works Reconciliation Reports must submit within three months of the government's applicable Financial Statement Date

APPENDIX A

Transfer Payment Accountability Directive (TPAD)

The *Transfer Payment Accountability Directive* (TPAD) establishes the principles, requirements and responsibilities for ministries and provincial agencies when overseeing transfer payment activities. It is essential the TPAD is consulted to understand governance and oversight requirements.

Transfer Payment Operational Policy (TPOP)

This policy is established under the authority of TPAD. The purpose of the TPOP is to set out operational requirements and best practices that support a consistent approach for effective and proportional oversight of transfer payment activities and productive relationships with transfer payment recipients.