



Government Financial Transactions... Which Rules Govern Them?

Transactions May Appear Similar... Yet Be Governed by Different Rules

Before Choosing the Procedure... Identify the Nature of the Transaction

Two transactions may appear similar in their apparent features: a contract, financial consideration, and a contracting party. Nevertheless, each may be subject to different rules and procedures.

So, what determines the applicable framework?

The starting point is not merely the name given to the transaction or its financial effect, but rather the nature and subject matter of the transaction and the scope of the rules governing it. Accordingly, the first question is not always, “What procedure should we apply?” Rather, it is preceded by a more fundamental question: “What is the nature of the transaction, and what rules apply to it?”

Similar Elements Do Not Mean That Transactions Are Subject to the Same Rules

In the work of federal entities, different transactions may appear similar from a financial or procedural perspective, while differing in their nature and the rules governing them:

Leasing a building ≠ Contracting for its maintenance

Purchasing materials ≠ Managing them after receipt and recording

Acquiring an asset ≠ Using, exploiting, or disposing of an existing federal asset

Depending on its nature and subject matter, a transaction may be subject to general or specific provisions and may also be associated with financial or accounting policies, standards, and requirements. Determining the applicable rules therefore requires verifying the scope of each relevant framework and whether it governs the transaction or a specific aspect of it.

The fact that a particular framework does not apply does not mean that the transaction is unregulated; rather, it requires determining whether other applicable provisions exist.



Practical Example:

Two Contracts... But Are They Governed by the Same Rules?

A federal entity requires additional premises. It leases space in an existing building and also contracts with a company to provide maintenance services for the premises.

In both cases, there is a contract and financial consideration. However, the nature of the two transactions differs: the first concerns the lease of real estate and is subject to the provisions and procedures governing that transaction, while the second concerns the procurement of maintenance services and is subject to the rules governing the procurement of services where those rules apply in accordance with their scope and provisions.

Therefore, the existence of a contract and financial consideration in both cases does not make the rules governing them identical; what matters is the nature of each transaction and the scope of the rules governing it.

One Transaction... Rules That May Operate Together

Conversely, identifying the nature of a transaction does not necessarily mean that all its aspects and stages are subject to a single set of rules. For example, the purchase of materials for government use may begin with procurement, contracting, and receipt procedures. Once recorded, the materials may then become subject to the rules and policies governing inventory and financial and accounting treatment, and their lifecycle may ultimately end with disposal in accordance with the applicable rules.

Accordingly, different legal, financial, accounting, and regulatory rules may operate together in relation to a single transaction, depending on the stage concerned. The transaction should therefore be considered in its full context, rather than through one isolated procedure.



Before Determining the Course of Action... Four Questions

When dealing with a financial transaction in a federal entity, start with four questions:

- What is the nature and subject matter of the transaction? Is it a purchase, service, lease, acquisition of an asset, management of or disposal of federal property, or another type of transaction?
- What legislation or regulatory framework governs this type of transaction? Is there also an applicable financial or accounting policy or standard?
- Does the transaction fall within its scope of application, or is it subject to specific provisions?
- Are there other rules or requirements associated with the transaction at any stage?

These questions do not replace legal review or reference to the relevant legislation. Rather, they help identify the correct starting point before determining the appropriate procedural course.

Conclusion: Start with the Transaction... Not the Procedure

The form of a transaction or its financial effect alone does not determine the applicable rules.

The appropriate course begins by identifying its nature and subject matter, followed by the scope of the relevant rules, while taking into account any requirements that may operate together at different stages of the transaction.

Nature of the Transaction → Scope of the Rules → Applicable Framework → Procedure



Government Financial Management Sector - Ministry of Finance

Disclaimer: This bulletin is for internal awareness purposes only and does not replace reference to the applicable legislation.