



Doing More with Less:

Strengthening Canada's Public Sector Payment Ecosystem

July 2026



Executive Summary

Public sector procurement is entering a period of meaningful change. With budgets tightening and service expectations rising, there is a growing opportunity to modernize payments and streamline manual work across procurement and accounts payable (AP).

This paper outlines how Corporate Card solutions help digitize payments, strengthen controls, and improve auditability, while enabling revenue sharing rebate to help recover costs, even in complex regulatory and ERP environments. In the context of this paper, “Corporate Card” refers to all Commercial Card products including One Card, Travel & Entertainment cards (T&E), Purchasing Cards (P-Cards), and virtual cards.

By shifting appropriate spend to cards, organizations can unlock faster, more automated approvals and reconciliation, reduce fraud and errors, and generate revenue sharing opportunities to help offset constrained operating budgets – supported by BMO’s supplier enablement and integration capabilities.



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Trends in Public Sector Procurement



\$12.8B
annual reduction in
operating expenditures
by 2029¹

Public sector procurement is experiencing a period of significant change, with CFOs increasingly tasked with delivering efficiency targets. To achieve more with less, organizations are prioritizing process improvements and payment efficiency through the adoption of modern payment tools.

Budgetary Pressures – Doing more, while spending less

Canadian public sector organizations are increasingly facing pressures on their operating budgets. For example, the recent federal budget¹ re-allocates budget from day-to-day operations to capital investments such as infrastructure, targeting a \$12.8 billion annual reduction in operating expenditures by 2029. At the same time, service level expectations stay constant or continue to rise. The pressures of reduced budgets and headcount constraints require organizations to do more with fewer resources. Fortunately, modern payment tools can provide efficiency and cost recovery for public sector procurement through digitizing payment workflows and applying AI tools to improve efficiency through automated forecasting, approvals, reconciliation, and reporting.

Growing Importance of Working Capital Optimization

From a payables perspective, working capital optimization includes the management of an organization's short-term payables and receivables to reduce the amount of cash set aside to address unexpected or variable expenses. Historically, public sector organizations have placed less importance on working capital optimization than private sector companies. This is largely because organizations operate within fixed budgets and typically follow standard 30-day payment terms in Canada.

In the public sector, factors such as service continuity and compliance have historically been key priorities. While these priorities remain, many public sector organizations are evolving to place greater emphasis on optimizing working capital to ensure operations continue under tight budgets without disruption.

¹Canada's Budget 2025 – Comprehensive Expenditure Review

Payments Modernization - Growth of Physical Card & Virtual Card as Payment Methods

Electronic business-to-business (B2B) payment methods, including Corporate and virtual cards, are growing due to their operational and financial benefits. In a survey of North American CFOs, “Digital transformation of finance” was the most commonly ranked priority for 2026². Traditionally, Canada’s public sector Corporate Card adoption has been more fragmented and less standardized than comparable jurisdictions such as the United Kingdom³ and Australia⁴. However, Canada has made significant progress in recent years; Corporate Card payments are expected to grow at a 15.5% compound annual growth rate (CAGR) through 2027 and virtual cards are expected to grow at an even faster pace of 17% CAGR in the same timeframe⁵.



Changing Landscape

The public sector funding landscape continues to evolve, shaped by factors such as funding allocation shifts, immigration policies (including student caps), service frameworks, and broader economic conditions. Public sector organizations are also frequently impacted by new or updated regulations, creating opportunities to adapt and innovate. In this dynamic environment, partnering with a trusted advisor helps organizations stay ahead of change, remain resilient, and confidently navigate complexity.

²Deloitte: The year ahead: North American CFOs reveal their top 6 expectations for 2026

³National Audit Office – The Government Procurement Card

⁴Australian National Audit Office (ANAO) – Management of Credit Cards

⁵Javelin Advisory Service North America Commercial Card Market Review and Forecast 2022-2027



Unlocking Value with Commercial Banking

Public sector leaders are being asked to deliver the same levels of service with tighter budgets, limited capacity, and headcount constraints. Commercial banking modernization should be considered an essential part of the finance toolkit to streamline procurement and AP operations, reduce administrative overhead, and improve controls.



Commercial Banking Ecosystem

Modern commercial banking solutions provide a one-stop-shop for public sector organizations to address broader payments, lending, and advisory needs.

As part of your payables strategy, Corporate Card solutions will play a critical role. Embedding the correct Corporate and virtual card solutions within the payables ecosystem and targeting the appropriate spend will drive the reduction of invoicing friction, enable automation, promote efficiencies, increase fraud resiliency and drive revenue sharing to recover costs from your overall AP functions. It is important to choose a commercial banking partner that meets current and future requirements.

Commercial banking solutions can:

- ✓ **Reduce manual effort** with standardized, digital workflows
- ✓ **Improve visibility** into supplier payments and enable improved forecasting through commercial banking tools
- ✓ **Strengthen governance** through embedded payment controls



Corporate Cards enable public sector organizations to modernize payments in ways that improve financial outcomes, including optimizing working capital, cost reductions, and revenue sharing rebate.

These capabilities create distinct, tangible benefits for both public sector buyers and their suppliers:

Corporate Card Benefits

Benefits for Public Sector Buyers	Benefits for Public Sector Suppliers
Buyer Needs: <i>Control & Oversight, Reporting & Transparency, Integrated Systems</i>	Supplier Needs: <i>Faster Settlement, Low Fraud Exposure, Remittance Data</i>
BENEFITS	
1. Simplifying Disbursements and Reconciliation Reduced manual processes minimize costs, and support automated reconciliation	1. Reduced Payment Errors Greater payment certainty with reduced cheque bounce backs and exception costs
2. Audit Readiness and Reporting Easily accessible transaction-level and rich remittance data, with audit-ready reporting	2. Optimized Acceptance and Cash Flow Optimized cash flow with faster payments and settlement, leading to reduced Days Sales Outstanding (DSO)
3. Increasing Fraud resiliency Reduced risk through strong internal card controls and virtual card features including unique card number and expiration date	3. Improved Reconciliation Enabled automated reconciliation through rich remittance data
4. Working Capital Optimization Minimize payment costs and optimize budget use by stretching payment cycles by up to 58 days	4. Fraud Prevention Lower prevalence of fraud with traditional methods reducing payment delays and friction in supplier experience
5. Revenue Sharing Revenue sharing supports cost recovery across the payables environment	
6. Consortium Benefits Additional benefits for consortium members	

How Corporate Cards Drive Financial and Operational Optimization for Public Sector Procurement

1. Simplifying Disbursements and Reconciliation

Where possible, Corporate Cards in place of traditional invoicing streamlines purchasing for both end users and finance departments while meeting established policy and audit requirements:

- End users benefit from **faster purchasing** than traditional invoice processing, reducing time spent on manual administrative tasks
- **Financial benefits** from lower processing and approval costs, along with additional savings from reduced payment delays and error resolution

These benefits have been recognized by the Auditor General of Toronto, which has recommended expanding card usage for high-volume, low-value transactions where the costs associated with manually processing invoices can often exceed the value of the purchase.⁶ This results in improved efficiency and cost savings while maintaining compliance. When paired with card management platforms, Corporate Cards further enhance efficiency by enabling automation across key processes, including:



2. Strengthening Audit Readiness and Reporting

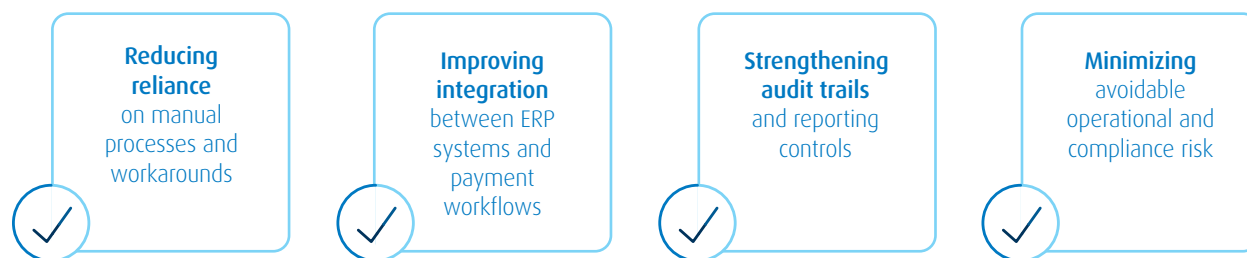
Corporate Cards help public sector entities prepare for audits by providing consistent, line-item level transaction data and rich remittance details. This creates a stronger audit trail, supports transparency and compliance, and reduces the effort required for audit preparation.

⁶Auditor General: Audit of the City's Low Dollar Value Purchases: Increasing Efficiency and Cost Savings While Balancing Other Procurement Objectives and Maintaining Compliance

Corporate Cards enable public sector entities to report on expenditures as part of their obligation to disclose their expenses to the public as part of their Public Accounts Reporting for the Auditor General. Corporate Cards reinforce reporting through the following:

- Every transaction is coded correctly using the government-wide Chart of Accounts (COA)
- All card expenses are reconciled monthly
- Quarterly and annual disclosures (for departments and Crown Corporations) fully capture all card spending
- Complete audit-ready documentation is maintained for all transactions
- Data can be pulled directly from card management platforms or ERP systems for public disclosure in the Public Accounts of Canada

With targeted integration advisory support from card programs and services, public sector organizations can better enable modern payment capabilities by:



3. Strong Internal Controls and Risk Management

Corporate Card programs are designed with strong internal controls that place guardrails on transactions to reduce fraud, errors, and non-compliant spending. Virtual cards in particular boast the lowest rates of fraud compared to other payment methods due to their enhanced controls.⁷ These controls consist of transaction-specific payment credentials, expiry date controls, and unique card numbers, making them particularly well-suited for accounts payable and supplier payments in the public sector.

Together, Corporate and virtual cards support stronger oversight through:

- Defined spend limits aligned to roles, transactions, or suppliers
- Approved vendor lists to restrict purchases to pre-approved suppliers
- Approvals based on the risk level of different types of purchases



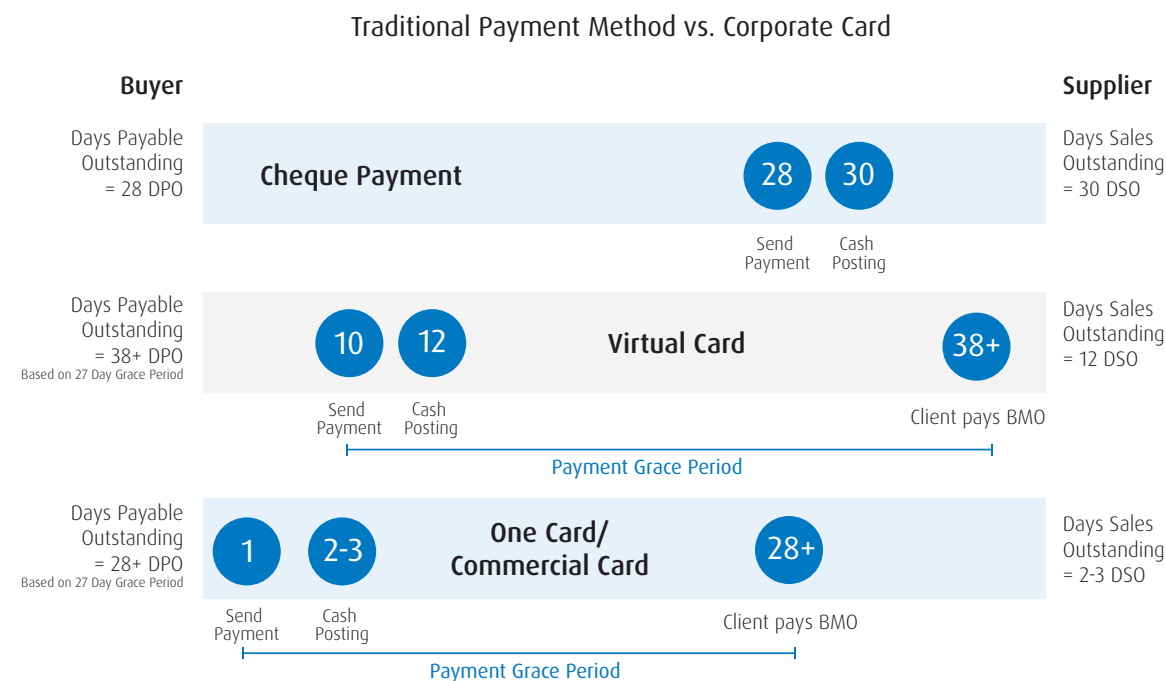
⁷RPMG 2022 Virtual Card Benchmark Survey Results

- Ongoing transaction monitoring to identify unexpected activity
- Transaction-level controls such as exact dollar limits, restricted merchant categories

Card management features also provide administrators with enhanced visibility to monitor and track spending activity, supporting stronger controls and reduced oversight risk.

4. Working Capital Optimization

As budgets tighten, extending working capital and minimizing payment costs become increasingly important. Commercial banking partners can support working capital optimization by stretching payment cycles to free capital, while saving significant processing costs by converting traditional methods (i.e., wire, cheque) to Corporate Cards. For organizations that regularly deploy large amounts of capital, this helps retain cash longer while maintaining on-time supplier payments, which is especially beneficial for organizations that manage cash with debt structures.



Considering tightened budgets, Corporate Card solutions also help drive direct and indirect cost savings. Direct savings come from reduced cheque and EFT handling costs, while additional downstream benefits include lower manual processing, fewer exceptions, and improved productivity, compliance, and visibility. When evaluating end-to-end costs, cheque or wire transfer transactions cost organizations \$38 and \$27 respectively, cutting into budgets⁸.

⁸RPMG 2022 Virtual Card Benchmark Survey Results
Note: The above model assumes a standard N30 for Cheque payments, accelerating Virtual Card payments to N10, and One Card payments moving off of invoicing, to pay at Point-of-Sale with post-purchase approvals. DPO's do not include additional days between transaction date & Corporate Card billing cycle, which adds an additional 15 days of DPO on average. (eg. N10 Invoice term on virtual card: 10 days invoice approval + avg 15 days until statement cycle + 27 days grace = avg 52DPO)

5. Revenue Sharing

A compelling consideration for implementing a Corporate Card program is the associated revenue sharing rebate and supplemental card benefits. By shifting appropriate, policy-compliant transactions onto Corporate Cards, accrued revenue share can be used for cost recovery to offset costs of the total payables ecosystem. This is especially important at a time when many budgets are constrained.

6. Consortium Benefits and Value Proposition

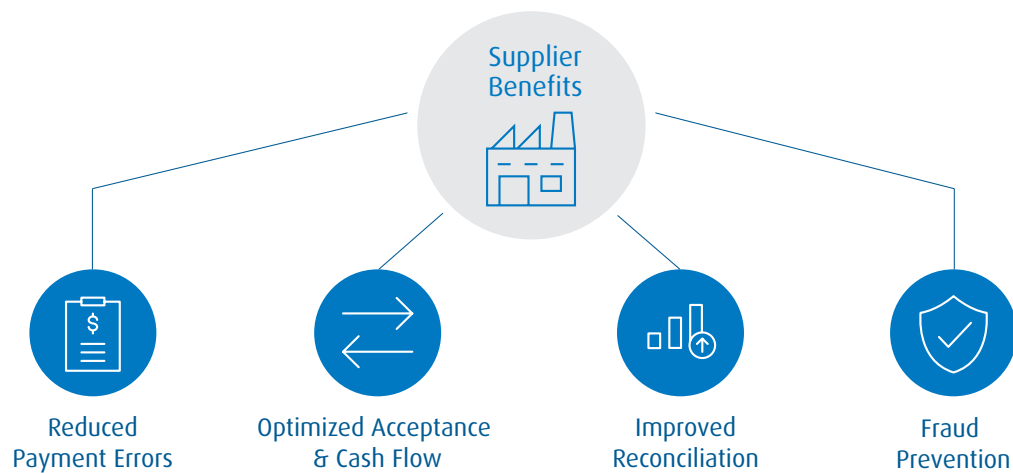
In addition to the core card benefits, organizations may experience additional support and benefits by enrolling in a consortium. Specialized consortium benefits can include:

- **Simplified access:** Where permitted, consortium participation may enable organizations to onboard a commercial banking partner without running a separate standalone Request for Proposal (RFP), helping reduce procurement effort and supporting faster implementation
- **VIP coverage and support:** All entities part of the consortium have a direct service contract to provide support across payment needs
- **Enhanced training:** Key support to help educate and enable employees across the organization on best practices and benefits
- **Implementation support:** Reduce transition risk and streamline integrations to support program modernization
- **Revenue share:** Consortium programs typically offer higher rebate potential than stand-alone arrangements due to economies of scale. Total consortium spend drives the revenue share rate, while your organization's spend and speed to pay determine the rest



How Corporate Cards Drive Efficiency and Trust for Public Sector Suppliers

For suppliers that accept card payments, the following benefits outweigh the fees of acceptance:



1. Reduced Payment Errors

Corporate Cards reduce payment errors by ensuring each payment is authorized for the correct amount and supplier, while rich remittance data makes it easier for suppliers to match payments to invoices. This reduces manual effort, limits exceptions, and minimizes the follow-ups and reconciliation work suppliers typically experience with traditional payment methods.

2. Optimized Acceptance and Cash Flow

Supplier acceptance of card payments continues to grow, with Corporate Card volumes increasing at a 12% CAGR, driven by the tangible benefits cards deliver to suppliers⁹:

- Faster payments (Reduced days sales outstanding (DSO)), accelerating cash flow
- Greater payment certainty with reliable settlement



⁹Javelin Advisory Service North America Commercial Card Market Review and Forecast 2022-2027

3. Improved Reconciliation

Corporate Card payments support improved supplier reconciliation by providing rich remittance data and transaction-level detail compared to traditional payments (i.e., cheque, wire). This enables suppliers to more efficiently match payments to invoices, reduce manual processes and administrative costs, and minimize follow-up related to missing or delayed remittance information.

4. Fraud Prevention

With more than 63% of organizations reporting cheque fraud activity (compared to just 9% reported with virtual cards), Corporate Cards significantly reduce the volume of fraudulent transactions reaching suppliers.⁹ This helps reduce fraud-related losses, minimize exceptions, and lower the administrative burden on suppliers. In the event of a dispute, Corporate Card chargeback processes are standardized and transparent compared to unrecoverable wire or cheque fraud, creating a more predictable resolution experience for suppliers.

⁹Javelin Advisory Service North America Commercial Card Market Review and Forecast 2022-2027

63%

of organizations
report cheque
fraud activity⁹

vs.

9%

reported with
virtual cards⁹



Partner with BMO to Modernize Public Sector Payments



BMO is committed to serving as a long-term Canadian partner, leveraging deep market expertise and prioritizing partnerships that support local communities and sustainable economic growth. We strive to support the public sector by enhancing transparency and minimizing risks throughout the entire payment lifecycle.



To learn more or begin an intake discussion, contact your BMO Relationship Manager or contact TPS.partner.referral@bmo.com

Banking products are subject to approval and are provided in Canada by Bank of Montreal, a CDIC member.

With a long history supporting Canada's public sector, BMO enables smooth card program transition through dedicated support which includes supplier enablement and proven integration experience with complex ERP and financial systems.

BMO provides an integrated ecosystem of commercial payment solutions that helps modernize financial operations while strengthening oversight, control, and payment efficiency.

Payment Vehicles

- **BMO Corporate Card:** Consolidate purchasing and travel spend while benefiting from enhanced spend visibility, risk mitigation, and revenue sharing, with specialized support for key integrations
- **BMO V-PAYO:** Issue virtual card payments for selected vendors via integrated files from your ERP, streamlining approvals and reconciliation, while driving revenue sharing and unlocking working capital
- **Extend for BMO:** Instantly issue unique virtual cards through mobile or online channels, with dynamic controls and spend tracking by project or category

Management Tools

- **Card Management Platform:** A centralized card management and reporting platform that provides clients with real-time visibility into card activity, reporting, and program administration
- **Payment Optimization and Strategy:** Actionable payment strategy recommendations to simplify your shift from legacy to digital solutions for buyers and suppliers. You'll receive clear options, expert guidance, and implementation support to unlock working capital, improve payment efficiency, and expand revenue share opportunities—including on how to best integrate Corporate Card solutions into your organization's optimal payables ecosystem
- **Card Optimization Insights:** Accelerate supplier enablement through targeted analysis that identifies card-eligible vendors and evaluates acceptance readiness, settlement terms, payment behavior, and potential cost and efficiency gains