Budgeting and Financial Management
Manual 200
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Chapter 1: Introduction
1.1 Introduction

The corporate administrative policies and procedures of the Government of Nova Scotia were approved by the Treasury and Policy Board on January 9, 2003, and are contained in four Management Manuals.

100 MANAGEMENT GUIDE
Documents the organizational structure of government and the delegation of responsibility to departments. This manual also outlines the Executive Council decision-making process.

200 BUDGETING AND FINANCIAL MANAGEMENT
Documents budgeting and budgetary control processes as well as accounting policies and procedures.

300 COMMON SERVICES
Documents common operational policies provided within government for the benefit of other government entities.

500 HUMAN RESOURCES MANAGEMENT
Documents human resources policies and procedures in place for all employees, except where superseded by collective agreements.

These manuals are posted in PDF format on Treasury Board office’s Internet site (http://www.gov.ns.ca/treasuryboard/manuals). Hyper-links to the corporate administrative policies (previously known as Management Manuals) are also located on the government Internet and Intranet home pages. All departments, offices, Crown corporations and other government entities are encouraged to access the manuals electronically, as it provides improved functionality over the hard copy and is a cost-savings to government.

The web site has been designed to assist users in the easy retrieval of relevant information. Web site features include the Record of Revisions identifying recent changes to the manuals and the option of joining a listserv for automated notification of revisions.

The Corporate Administrative Policy Manuals are living documents, with the ongoing updating, adding and deleting of policies and procedures. Treasury Board office is responsible for maintaining the currency of the information on the web site.
Employees are to check the web site regularly to ensure they are using the current version of a policy/procedure. The master version of each manual is retained at the Executive Council Office on behalf of the Treasury Board office.

References
Management Manuals Policy, Management Guide
Q&As, Management Manuals web site

Enquiries
Manager, Executive Council Office
(902) 424-6614

Approval date: January 9, 2003
Approved by: Executive Council
Effective date: January 9, 2003
Administrative update: January 5, 2015
Chapter 2: Budgeting
2.1 Budgeting

Under development.
Chapter 3: Budgetary Control
3.1 Forecasting and Reporting

Policy Statement
The Government of Nova Scotia is accountable for revenues collected from taxpayers, for ensuring monies are prudently spent for the purposes intended, that assets are adequately safeguarded, debts and other obligations are authorized and for the completeness and accuracy of financial information in accordance with generally accepted accounting principles. This policy formalizes the forecasting and reporting requirements and provides guidelines for developing, analyzing, reporting and monitoring through a forecasting and reporting policy.

Application
“Each member of the government business enterprise and governmental unit shall provide to the minister responsible for it monthly, a forecast update detailing the financial performance of the government business enterprise or governmental unit as compared to the budget.” Section 69(1)(d) Finance Act.

All governmental units are required to provide a monthly forecast through the responsible department. Departments will then include the forecast information from all governmental units for which they are responsible in their monthly forecast submission to Treasury Board Office and/or the Department of Finance, as described herein.

Government Business Enterprises are required to provide a monthly forecast to the Department of Finance.

Definitions
FINANCIAL ACCOUNTABILITY
Complete, accurate, and timely reporting on the resources entrusted to government, including their allocation to programs, services, and initiatives. Financial accountability also includes a complete description of the economic resources and obligations of government.
GOVERNMENT REPORTING ENTITY
Aggregate of all organizations that are part of or controlled, for accounting purposes, by the Province and includes departments, governmental units, government business enterprises, government partnership arrangements and crown corporations and, for greater certainty, does not include a university to which the Universities Assistance Act applies.

GOVERNMENTAL UNITS
Entities categorized as governmental units from time to time by the Minister of Finance as set out annually in the consolidated financial statements of the Province.

GOVERNMENT BUSINESS ENTERPRISES
Entities categorized as government business enterprises from time to time by the Minister and set out annually in the consolidated financial statements of the Province.

APPROPRIATION
Refers to an authorization by the Legislature under an Appropriations Act for an expenditure of money or incurrence of an expense. An entity that receives an appropriation is called an “appropriated entity”.

ESTIMATES
Refers to the estimates of prospective revenues, expenses and capital expenditures for a fiscal year submitted to the House of Assembly in accordance with its Rules and Forms of Procedure.

Policy Objectives
1. To ensure participants involved in the monthly forecast update have a business process in place so they can provide to the Minister responsible for it, a monthly forecast update detailing the financial performance as compared to the estimate (budget).
2. To ensure accurate and realistic forecasting by departments, and in a timely manner, so that the financial position of the province can be communicated to Executive Council and its Committees.
3. To monitor and report on emerging financial matters and transactions and decisions that potentially affect the balance sheet, including but not limited to: the acquisition and status of capital projects, changes in human resources, the delivery of program and services, the collection of revenue, trust funds, and cost-sharing agreements.
4. To issue budget forecast updates to the public on the province’s financial position in a manner that ensures full and open disclosure.

Policy Directives

1. Circulate a Forecast Reporting Schedule and Monthly Forecast Reporting Template
   a. The forecast schedule (Appendix 3-1) will be updated and circulated at the beginning of each new fiscal year.

   The forecast schedule will not include a date for the consolidated entities to provide a forecast to the department; it is up to the department to determine the submission date that will allow them the time required to prepare a complete forecast to Treasury Board Office and the Department of Finance in accordance with Appendix 3-1.

   b. In order to both standardize monthly reporting and to better enable departments to provide better management information to their department executives, Treasury Board Office and the Department of Finance will annually update and circulate a monthly forecast template package to the Senior Financial Executives.

2. Prepare the Monthly Forecast and Submit to Treasury Board Office
   a. Departments and entities, after consulting with program managers and other financial resources within their entity, are required to update their forecast information in the Corporate Financial Management System (SAP), Version “3”. In addition, the long text feature in SAP should be used to record notations on changes made to the individual cost elements. For more information on “Versions” see Appendix 3-2.

   Departments and entities must also update the Salary Analysis System (SAS) to reflect changes in human resources. The total salary in SAS, by cost element, should be the same as the total salary in SAP.

   Departments and entities are required to populate the templates based on information in SAP and SAS. A detailed explanation of variances based upon established thresholds must be included in the monthly forecast templates. The variance will be based on changes that have occurred since the budget was approved and that impact the financial information (e.g. labour contract settled, increased recovery of program expenses, and changes to utilization rates).

   b. Senior Financial Executives must review the information with their Senior Management Teams of the Departments and entities, prior to submitting to Treasury Board Office and the Department of Finance.
c. When departments are finished updating their forecast information in SAP (version 3) they must copy their finalized forecast into Version “0”. Forecasts in Version “0” are considered the “official department forecast”.

d. After the versions are copied, and Senior Management has been briefed, departments and entities are required to send the monthly forecasts to Treasury Board Office and Department of Finance, Provincial Budgetary Planning and Coordination Division. Detailed instructions for this procedure will be communicated annually to the Senior Financial Executives.

3. REVIEWING THE MONTHLY FORECASTS

a. Upon receipt of the departments and entities monthly forecast reporting templates, Treasury Board Office and/or Department of Finance staff will review the forecasts and the explanation of the variances, contact departments if necessary, and prepare a summary report for Treasury Board’s review.

b. During the review of the monthly forecast, Treasury Board Office and Department of Finance staff will work with departments and entities for any requirements related to requests for Additional Appropriations or Special Warrants.

4. REPORTING TO TREASURY BOARD

a. Reporting to Treasury Board Committee will be at the discretion of Agenda Management and the request of the Ministers. All information reported to Treasury Board will be considered confidential.

5. PUBLIC UPDATES

a. Government will submit financial reports on the state of the public finances for a fiscal year to the House of Assembly in accordance with the following schedule (Finance Act, Section 57(1)):

   i. on or before September 30th;
   ii. on or before December 31st;
   iii. as part of the Estimates tabled in the House of Assembly for the following fiscal year; and,
   iv. as part of the Public Accounts prepared respecting the fiscal year.
Confidentiality

All staff privy to the information gathered during the forecast process, including but not limited to: human resources, contracts, upcoming risks and/or pressures, and potential savings from reduced programs, must ensure the information is managed in accordance with the Freedom of Information and Protection of Privacy Act, regulations, and pertinent government privacy policies.

Forecast information, including recommendations, will be shared with Treasury Board Committee, a committee of Executive Council.

Policy Guidelines

1. FORECAST INFORMATION MUST BE TRANSPARENT
   a. Information collected from program managers, financial advisors, and human resource professionals must be recorded in SAP and SAS.
   b. All revenue information must be reported to the Department of Finance. All expenditure information must be reported to Treasury Board Office.
   c. Revenue information, including variance explanations, must be provided in a format approved by the Department of Finance.
   d. Expenditure information, including variance explanations must be recorded in the monthly forecast templates circulated by Treasury Board Office.
   e. All reporting must be based on the schedule circulated annually by Treasury Board Office and the Department of Finance.

2. REGULAR MEETINGS SHOULD BE SCHEDULED TO DISCUSS MONTHLY FORECAST INFORMATION
   a. Departments may find it useful to meet with their Treasury Board Office Analysts regularly. These meetings can be used to brief analysts on things yet to be confirmed but that may materialize in the coming months.

3. DIRECTIVES, PRESSURES AND SAVINGS
   a. Departments and entities must adhere to all directives issued by Executive Council and its Committees.
   b. All pressures and savings must be reported in the monthly forecast information. When providing explanations materiality should be considered, see guidelines in templates.
Accountability

1. It is the responsibility of Treasury Board Office and the Department of Finance (Provincial Budgetary Planning and Coordination Division) to ensure that this policy is followed consistently and accurately.

2. Departments are responsible for collecting and reporting on financial information related to their spending authority (appropriations), and revenue estimates.

3. Senior Financial Executives are responsible for informing their senior management teams, budget subject managers (program managers) and their staff, of the reporting schedule and the requirements within this policy.

Monitoring

Treasury Board Office is responsible for the review and update of this policy.

References

This policy is further supported by the following provincial legislation, and provincial policies:

- Appropriations Act
- Finance Act
- Public Service Act
- 3.3 Additional Appropriations or Special Warrants
- 4.1 Government Reporting Entity

Enquiries

Executive Director
Treasury Board Office
(902) 424-6542

Executive Director, Provincial Budgetary Planning and Coordination
Department of Finance
(902) 424-4753

Appendices

Appendix 3-1: Monthly Forecast Submissions Schedule
Appendix 3-2: Version Control in SAP
<table>
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<th>June 13, 2013</th>
<th>Effective date:</th>
<th>June 14, 2013</th>
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<td>Approved by:</td>
<td>Treasury Board</td>
<td>Administrative update:</td>
<td></td>
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# Monthly Forecast Submission Schedule

<table>
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<tr>
<th>Reporting Month</th>
<th>AP and GL Close for the Previous Month</th>
<th>Departments Complete Forecast and Report to Treasury Board Office</th>
<th>Reports to the Treasury Board</th>
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</thead>
<tbody>
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<td>June (based on May actuals)</td>
<td>June 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Not required for 13/14</td>
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<tr>
<td>July (based on June actuals)</td>
<td>July 9&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 24&lt;sup&gt;th&lt;/sup&gt;</td>
<td>July 31&lt;sup&gt;st&lt;/sup&gt;</td>
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<td>August (based on July actuals)</td>
<td>August 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>August 21&lt;sup&gt;st&lt;/sup&gt;</td>
<td>August 28&lt;sup&gt;th&lt;/sup&gt;</td>
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<tr>
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<td>September 18&lt;sup&gt;th&lt;/sup&gt;</td>
<td>September 25&lt;sup&gt;th&lt;/sup&gt;</td>
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<tr>
<td>October (based on September actuals)</td>
<td>October 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>October 23&lt;sup&gt;rd&lt;/sup&gt;</td>
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<td>November 27&lt;sup&gt;th&lt;/sup&gt;</td>
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<td>February 19&lt;sup&gt;th&lt;/sup&gt;</td>
<td>February 26&lt;sup&gt;th&lt;/sup&gt;</td>
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*Note: Appendix 3-1 will be updated by Treasury Board Office and the Department of Finance on an annual basis in late spring.*
Appendix 3-2

Version Control in SAP

The various planning versions in the Corporate Financial Management System (CFMS) will be predefined as follows:

Version 0
This version is considered the current forecast version because it represents the latest forecast information for the fiscal year, which is updated on a monthly basis. Information in this version is considered final by Treasury Board Office Staff and Department of Finance (Revenue) Staff.

Version 1
The financial information presented in version 1 is the approved spending authority (budget), plus any additional appropriations approved during the fiscal year in question. This version is view only, with updates only made by Treasury Board Staff.

Version 2
The financial information presented in this version is the approved spending authority (budget) as presented in the Budget Documentation ("Estimate: in the Estimate Books). This financial information represents the budget which has been approved by the Legislature for the fiscal year.

Version 3
The financial information presented in this version is used by departments for the development of the forecast and next fiscal budget scenarios. Information in this version is not considered final by Treasury Board Office Staff and Department of Finance (Revenue) Staff.

Version 4 and 5
The financial information presented in these versions is available for planning and development of various budget scenarios. Information in these versions is not considered final by Treasury Board Office Staff and Department of Finance (Revenue) Staff.
3.2 Preparing and Publishing Forecast Update

Under development.
3.3 Additional Appropriations or Special Warrants

Requests for Additional Appropriations/Final Additional Appropriations

Additional Appropriations should arise only when commitments or foreseeable expenses will exceed amounts appropriated by the Legislature for the specific service. Divisions frequently request additional appropriations unnecessarily when it is anticipated that expenses will exceed allotments to a specific segment or division of a legislation appropriation. For example: if it is anticipated that expenses will exceed the approved budget in the Administration and Accounting Division of an appropriation, it should first be determined that no savings are available to be transferred from other divisions of the appropriation before a request for an additional appropriation is initiated.

**NOTE:** Additional appropriations must be obtained when it becomes apparent that the appropriation is insufficient to carry out its purpose. (Ref. Section 27(1) Finance Act.)

Final Additional Appropriations should arise only for year-end adjustments that cannot be forecasted prior to March 31 of the respective fiscal year or for events arising prior to March 31 but that cannot be estimated. Final additional appropriations ensure sufficient authority exists for actual results of the fiscal year but are not intended to provide authority for amounts over the appropriation that were known, or should have been known, prior to fiscal year end.

**NOTE:** Final additional appropriations for year-end adjustments must be requested when it has been determined that actual results for the fiscal year exceed the authority received for that year. (Ref. Section 28(1) Finance Act.)

**INITIATING REQUESTS**

The head of the appropriated entity will initiate the request by means of a report to the Minister of Finance in the appropriate format as described in the Handling Procedures.
Handling Procedures

1. The requesting appropriated entity will forward the request on the following forms, signed by the appropriate staff in the requesting appropriated entity as indicated on the forms, to the Deputy Minister of Treasury Board Office:
   - Report by the Head of (Name of Appropriation) to the Minister of Finance Pursuant to Section 27 or 28 of the Finance Act (Appendix 3-C)
   - Authority Changes and Transfers - Details (Appendix 3-E)

2. The request should include sufficient documentation to explain and justify the need for additional funds.

3. Each request will be reviewed by Treasury Board Office staff and forwarded to the Department of Finance for preparation of a Report and Recommendation to the Executive Council by the Minister of Finance.

   NOTE: Originators of requests are not required, nor should they attempt, to prepare the Report and Recommendation to Executive Council required to be signed by the Minister of Finance. The preparation of this report is a function of staff at Treasury Board Office and the Department of Finance.

4. Upon approval by Executive Council, an Order-in-Council will ensue, authorizing the additional appropriation/final additional appropriation.

Requests for a Special Warrant

These should arise only when circumstances require expenses on an item or service for which no amount was appropriated by the Legislature (including such circumstances where authority exists pursuant to section 26 of the Finance Act). The Finance Act describes this type of spending as having to be “... urgently and immediately required for the public good ...”

NOTE: A special warrant shall not be made when the Legislature is in session unless the House of Assembly has not sat for any of the five days immediately preceding the issue of the special warrant. (Ref. Section 29(3) Finance Act. Chap. 2 of the Acts of 2010).

INITIATING REQUESTS

The head of the appropriated entity will initiate the request by means of a report to the Minister of Finance in the appropriate format as described in the Handling Procedures.
Chapter 3: Budgetary Control

3.3 Additional Appropriations or Special Warrants

Handling Procedures

1. The requesting appropriated entity will forward the request on the following forms, signed by the appropriate staff in the requesting department as indicated on the forms, to the Deputy Minister of Treasury Board Office:
   - Report by the Head of (Name of Appropriation) to the Minister of Finance Pursuant to Section 29 of the Finance Act (Appendix 3-D)
   - Authority Changes and Transfers - Details (Appendix 3-E)

2. The request should include sufficient documentation to explain and justify the need for additional funds.

3. Each request will be reviewed by Treasury Board Office staff and forwarded to the Department of Finance for preparation of a Report and Recommendation to the Executive Council by the Minister of Finance.
   
   **NOTE:** Originators of requests are not required, nor should they attempt, to prepare the Report and Recommendation to Executive Council required to be signed by the Minister of Finance. The preparation of this report is a function of staff at Treasury Board Office and the Department of Finance.

4. Upon approval by Executive Council, an Order-in-Council will ensue, authorizing the special warrant.

Appendices

Appendix 3-C  Report by the Head of (Name of Appropriation) to the Minister of Finance Pursuant to Sections 27 and 28 of the Finance Act

Appendix 3-D  Report by the Head of (Name of Appropriation) to the Minister of Finance Pursuant to Section 29 of the Finance Act

Appendix 3-E Authority Changes and Transfers–Details

Enquiries

Executive Director, Treasury
Treasury Board Office
(902) 424-8910

Approval date: January 9, 2003
Effective date: November 22, 2002
Approved by: Executive Council
Administrative update: August 24, 2011
Appendix 3-C

Report by the Minister of (Department/ABC) to the Minister of Finance Pursuant to Sections 27 and 28 of the Finance Act

The Minister of ___________________ has the honour to report that:

1. The sum appropriated by the Legislature for the fiscal year April 1, 20___, to March 31, 20___, for (service as noted in the Appropriations Act) is $ ___ (amount appropriated).

(Add the following if other additionals have been authorized in this fiscal year) in addition to the additional appropriations authorized by Order-in-Council # (OIC Number) in the amount of $ ___ (amount approved) and by Order-in-Council # (OIC Number) in the amount of $ ___ (amount approved).

2. The said sum appropriated to be expended on Net Program Expenses is insufficient to meet the requirements of that service because (briefly give reasons why additional appropriation is necessary and attach detailed information on a separate sheet).

3. A further sum of $ ___ (amount requested) is required in the Net Program Expenses to carry out the said service for the fiscal year ending March 31, 20___.

Respectfully submitted,

Minister of ___________________

Halifax, Nova Scotia

(Date)
Appendix 3-D

Report by the Minister of (Department/ABC) to the Minister of Finance Pursuant to Section 29 of the Finance Act

Subject: (Name of Service), Special Warrant for $__________ to cover __________________________________________________________________ for the fiscal year 20___.

The Minister of ______________________ has the honour to report that:

1. S/he has been advised that (briefly state reasons for request including amount of costs and fiscal year. Details should be attached on a separate sheet).

2. No provision was made by the Legislature that would permit payment by the Province in the said fiscal year to (name of service) for the purpose of defraying the said costs of (name of service) for the 20__-____ fiscal year.

3. It is urgently and immediately required for the public good that an amount of $__________ be paid by the Province to (name of service) for the purpose of defraying the said costs of (name of service) for the 20__-____ fiscal year.

The undersigned therefore has the honour to recommend that the Governor in Council, pursuant to Section 29 of the Finance Act, Chapter 242 of the Revised Statutes, 1967, do order a Special Warrant to be prepared for the issue of $__________ in respect of (name of service) to be expended for (costs) in respect thereof as the Governor in Council shall determine, and do further order that the said amount be charged to (Capital or Current) Account for the year ending March 31st, 20___.

Respectfully submitted,

Minister of ______________________

Halifax, Nova Scotia

(Date)
Approved by Treasury Board

on the ______ day of ____________________, 20__. 

_________________________________
Chair of Treasury Board
Chapter 3: Budgetary Control

3.3 Additional Appropriations or Special Warrants

Appendix 3-E

Province of Nova Scotia
Authority Change
and Transfers - Details

1. DEPARTMENT / PUBLIC SERVICE VOTE:

2. SUPPORTING
   ( ) ADDITIONAL APPROPRIATION
   ( ) SPECIAL WARRANT
   ( ) TRANSFER BETWEEN DIVISIONS

3. REASON FOR REQUEST:

   4. ORIGINAL APPROPRIATION $ -

   5. ADDITIONAL APPROPRIATION(S) TO DATE $ -

   6. ADDITIONAL APPROPRIATION REQUIRED $ -

   7. TOTAL REQUESTED AUTHORITY $ -

8. Account Details

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Net Total $ -

9. Department

   Financial Officer __________________________ Date ____________

   Deputy Minister __________________________ Date ____________

   Minister _________________________________ Date ____________

10. Department of Finance

    Account Status Verified by Treasury Board __________________________ Date ____________

Government of Nova Scotia
3.4 Discretionary Spending

Policy Statement

It is the policy of the Province of Nova Scotia to review its discretionary spending from time to time.

Definition

Discretionary spending is defined as those costs which are avoidable without incurring a penalty and without jeopardizing a department’s ability to meet its mandate. Discretionary costs can be eliminated without having a detrimental impact on a department’s normal operations or delivery of its core programs. The decision of whether or not to incur these costs is under the direct and ongoing control of management.

Policy Objective

The objective of this policy is to define discretionary spending to ensure a more consistent treatment of costs across departments during cost reviews.

Application

This policy should be applied to all costs during a cost review.

Policy Directives

A cost review may be requested for a number of purposes, such as the preparation of the annual fiscal plan or an interim cost savings search. When directed to perform a cost review, departments are to apply this policy to their costs in identifying which costs are discretionary.

Policy Guidelines

Discretionary spending may be frozen or reevaluated based on current priorities and funding limits. Where the department’s ability to meet its mandate is not compromised, discretionary spending may include the deferral of costs to future periods.
INCLUSIONS
Discretionary spending **may include**, but is not limited to, the following:

- salaries and fringe benefits related to vacant positions
- travel
- professional and consulting services
- supplies and services, including repairs and maintenance
- other administrative costs (e.g., furniture and equipment, rentals, staff training, professional and/or membership dues, subscriptions, meeting expenses)
- IT equipment and related components
- discretionary grants

EXCLUSIONS
Discretionary spending **normally excludes** the following:

- salaries and fringe benefits related to filled positions (required resource)
- amortization expense
- statutory grants
- costs associated with meeting legislative requirements
- restricted funding provided by external parties who have stipulated the purpose and timing of spending
- leases
- contractual obligations
- legal obligations

Once entered into, leases, contractual obligations and legal obligations are not discretionary costs, assuming there is a significant penalty for non-compliance or early termination.

**Accountability**
Departments are responsible for identifying discretionary spending upon request. Any such costs identified will be considered to have been filtered through this definition and guideline.

Treasury Board Office is responsible for requesting the costs reviews as needed. They will work with departments to verify the assessment of costs against this definition.
Monitoring
Government Accounting is responsible for the review and update of this policy. The effectiveness of this policy will be evaluated in consultation with departments and Treasury Board Office.

Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Executive Director, Treasury Board Office
Department of Finance and Treasury Board
(902) 424-4810

Approval date: July 31, 2008
Effective date: August 21, 2008
Approved by: Executive Council
Administrative update: May 30, 2016
Chapter 4: Financial Authority and Responsibilities
4.1 Government Reporting Entity

Policy Statement
It is the policy of the Province of Nova Scotia to report its financial results annually to the House of Assembly on a consolidated basis for the government reporting entity (GRE).

Definitions

**GOVERNMENT REPORTING ENTITY**
The government reporting entity (GRE) is comprised of the organizations that are controlled by the government, which include the Province’s departments and public service units (General Revenue Fund), government business enterprises (GBEs), other governmental units (GUs), and the Province’s proportionate share of government partnership arrangements (GPAs). Trusts administered by the Province are excluded from the reporting entity. A full listing of entities reported within the GRE can be found in Schedule 10 of the Province’s Public Accounts.

Policy Objective
The objective of this policy is to ensure that organizations controlled by the Province are consistently and accurately identified, presented, and disclosed in the Public Accounts. This objective increases the accountability of government.

Policy Application
This policy applies to all entities controlled by the Province and that comprise the government reporting entity.

Policy Directives
PS 1300, Government Reporting Entity, of the Public Sector Accounting (PSA) Handbook governs the inclusion of entities in the GRE. It also establishes the rules for classification of governmental units (GUs) and government business enterprises (GBEs). Government Partnerships (GPs) are specifically covered under PS 3060, Government Partnerships. Appendix 4-A contains applicable references to the PSA Handbook relating to the GRE.
The GRE should be re-assessed at each fiscal year-end date. As entities meet the GRE criteria they should be added to the GRE and accounted for accordingly. If an entity no longer meets the criteria or has been wound-up, it should be removed from the GRE.

A Government Reporting Entity Control Assessment (as provided in Appendix 4-B) should be completed as part of assessing the inclusion or exclusion of an entity from the GRE. If a department creates or winds-up an entity during the year, a GRE Control Assessment and copies of the entity’s governance and creation or dissolution documents (e.g., Report and Recommendation, Articles of Incorporation, Bylaws, Certificate of Dissolution, etc.) should be sent to the Executive Director of Government Accounting.

GUs, GBEs, and GPAs submit annually a year-end financial package to the Government Accounting Division for purposes of preparing the consolidated financial statements. The details of the request including reporting deadlines will be sent to the chief executive officers and directors of finance under a covering letter from the Deputy Minister of Finance and Treasury Board or designate.

**Policy Guidelines**

Only those entities in which the Province has control or in the case of government partnership arrangements, shared control, are included as part of the GRE and are consolidated in the Public Accounts. The PSA Handbook defines control as the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization’s activities.

A government may choose not to exercise its power; nevertheless, control exists by virtue of the government’s ability to do so. Control must exist at the financial statement date, without the need to amend legislation or agreements.

Both direct and indirect control must be considered. In applying the guidance from the PSA Handbook, it is necessary to determine the substance of the relationship between the government and the organization. The true nature of certain relationships may not be completely reflected by their legal form. All relevant aspects and implications of the relationship would be considered in determining whether or not the government controls the organization. Where various aspects of the relationship are designed, in effect, to achieve an overall objective, they would be viewed as a whole.
Whether a government controls an organization is a question of fact that requires the application of professional judgment based on the definition of control and the substance of the relationship in each case. The preponderance of evidence is to be considered in assessing whether a government controls an organization.

**Accountability**

Departmental Financial Services Divisions/Corporate Service Units are responsible for compliance with this policy by identifying and reporting entities that are new to the GRE, as well as entities whose status within the GRE have changed (e.g., by way of legislative amendments, governance revisions, wind up the entity, etc.). Departments should retain copies of GRE control assessments and entity governance and creation/dissolution documents on file.

The Government Accounting Division is responsible for assisting in the final determination of an entity’s control assessment and properly accounting for the GRE on a consolidated basis.

**Monitoring**

The Government Accounting Division is responsible for ensuring that this policy is followed consistently and accurately as well as reviewed and updated, as needed.

**References**

Public Sector Accounting Standards
- PS 1300 Government Reporting Entity
- PS 2500 Basic Principles of Consolidation
- PS 3060 Government Partnerships

**Appendices**

Appendix 4-A Relevant Public Sector Accounting Handbook Sections
Appendix 4-B Government Reporting Entity Control Assessment

**Enquiries**

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021
## Approval Information

<table>
<thead>
<tr>
<th>Approval date:</th>
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<tr>
<td>Approved by:</td>
<td>Executive Council</td>
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<tr>
<td>Effective date:</td>
<td>August 21, 2008</td>
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<td>Administrative update:</td>
<td>May 30, 2016</td>
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Appendix 4-A

Relevant Public Sector Accounting Handbook Sections

Government Reporting Entity (GRE)
PS 1300.07 The government reporting entity should comprise the organizations that are controlled by the government.

Control
PS 1300.08 Control is the power to govern the financial and operating policies of another organization with expected benefits or the risk of loss to the government from the other organization’s activities.

Accounting for Entities within the GRE
PS 1300.27 Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government business enterprises.

PS 1300.35 Government business enterprises should be accounted for by the modified equity method.

PS 3060.29 Government financial statements should recognize the government’s interest in government partnerships, except for government business partnerships, using the proportionate consolidation method.

PS 3060.32 Government business partnerships should be accounted for by the modified equity method applied using the government’s share of the government business partnership.

Governmental Unit (GU)
PS 2500.04 (e) A governmental unit is a government organization that is not a government business enterprise. Governmental units would include: government not-for-profit organizations and other government organizations such as funds, agencies, service organizations, and boards.
Government Business Enterprise (GBE)
PS 1300.28  A government business enterprise is an organization that has all of the following characteristics:
   a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued;
   b) it has been delegated the financial and operational authority to carry on a business;
   c) it sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and
   d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

Government Partnership (GP)
PS 3060.06  A government partnership is a contractual arrangement between the government and a party or parties outside of the government reporting entity that has all of the following characteristics:
   a) the partners cooperate toward achieving significant clearly defined common goals;
   b) the partners make a financial investment in the government partnership;
   c) the partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and
   d) the partners share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership.

Government Business Partnership (GBP)
PS 3060.07  A government business partnership is a government partnership that has all of the following characteristics:
   a) it is a separate legal entity with the power to contract in its own name and that can sue and be sued;
   b) it has been delegated the financial and operational authority to carry on a business;
c) it sells goods and services to individuals and organizations other than the partners as its principal activity; and

d) it can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources other than the partners.
**Appendix 4-B**

**Government Reporting Entity Control Assessment**

**Government Accounting**  
Department of Finance and Treasury Board

Instructions: The purpose of this survey is to determine the status of each entity that may form part of the government reporting entity for accounting purposes.

Please include references to particular legislation and/or regulations for each response, if applicable.

<table>
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<th>Entity Name:</th>
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**Primary indicators of control:**

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<th>Yes</th>
<th>No</th>
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(1) Does government have the power to unilaterally appoint or remove a majority of the members of the governing body of the organization?

(2) Does government have ongoing access to the assets of the organization, have the ability to direct the ongoing use of those assets, or have ongoing responsibility for losses?

(3) Does government hold a majority of the voting shares or a "golden share" that confers the power to govern the financial and operating policies of the organization?

(4) Does government have the unilateral power to dissolve the organization and thereby access its assets and become responsible for its obligations?

**Secondary indicators of control:**

<table>
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<th>Yes</th>
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(5) Does government have the power to provide significant input into the appointment of members of the governing body of the organization by appointing a majority of those members from a list of nominees provided by others or being otherwise involved in the appointment or removal of a significant number of members?

(6) Does government have the power to appoint or remove the CEO or other key personnel?

(7) Does government have the power to establish or amend the mission or mandate of the organization?
(8) Does government have the power to approve the business plans or budgets for the organization and require amendments, either on a net or line-by-line basis?
(9) Does government have the power to establish borrowing or investment limits or restrict the organization’s investments?
(10) Does government have the power to restrict the revenue-generating capacity of the organization, notably the sources of revenue?
(11) Does government have the power to establish or amend the policies that the organization uses to manage, such as those relating to accounting, personnel, compensation, collective bargaining or deployment of resources?

**Other indicators of control (please list):**

---

**Government Business Enterprise (fill out if applicable)**

A government business enterprise is an organization that has all of the following characteristics:

1. It is a separate legal entity with the power to contract in its own name and that can sue and be sued;
2. It has been delegated the financial and operational authority to carry on a business;
3. It sells goods and services to individuals and organizations outside of the government reporting entity as its principal activity; and
4. It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources outside of the government reporting entity.

**Government Partnership (fill out if applicable):**

A government partnership is a contractual arrangement between the government and a party or parties outside of the government reporting entity that has all of the following characteristics:

1. The partners cooperate toward achieving significant clearly defined common goals.
2. The partners make a financial investment in the government partnership.
(3) The partners share control of decisions related to the financial and operating policies of the government partnership on an ongoing basis; and

(4) The partners share, on an equitable basis, the significant risks and benefits associated with the operations of the government partnership.

**Government Business Partnership (fill out if applicable):** Yes  No  N/A

A government business partnership is a government partnership that has all of the following characteristics:

1. It is a separate legal entity with the power to contract in its own name and that can sue and be sued;
2. It has been delegated the financial and operational authority to carry on a business;
3. It sells goods and services to individuals and organizations other than the partners as its principal activity; and
4. It can, in the normal course of its operations, maintain its operations and meet its liabilities from revenues received from sources other than the partners.

**Final Assessment:**

---

Title: 
Signature: 
Date: 
Contact: 

*Please return completed surveys to: Executive Director of Government Accounting, Department of Finance and Treasury Board, 6th Floor Provincial Building, 1723 Hollis Street, PO Box 187, Halifax, NS B3J 2N3*
4.2 Delegation of Financial Authority

Policy Statement

It is the policy of the Province of Nova Scotia that only those with financial signing authority may authorize expenditures. Financial authority may be delegated within the business units of the government.

Authority

The Finance Act, Section 21(6), states the Deputy Minister [of Finance] shall not authorize a payment out of the General Revenue Fund until the Deputy Minister [of Finance] is satisfied that the proposed payment has been examined and certified by the head of the applicable appropriated entity, or by some authorized official of such entity, and the request for payment so certified must be retained by the applicable appropriated entity as a document for such payment.

Definitions

FINANCIAL SIGNING AUTHORITY
The authority to approve expenditures on behalf of the Province of Nova Scotia, by way of personal signature or electronic means. Signing authority can be granted for specific purposes such as purchase requisitions, payment of accounts, casual and overtime payroll, government services, and/or journal entries.

Policy Objectives

The purpose of this policy is to ensure that the requirements for financial authority are communicated to those who are granting financial authority to others and to those individuals who need to assess if authority has been given. This authority ensures appropriate control over the government’s financial commitments and disbursements and the accounting entries in the books of account of the Government.

Application

This policy applies to all government departments and public service votes.
Policy Directives

Financial authority for government departments and public service votes begins with the appropriation of spending limits through the budgetary process in the legislature, thus creating the ministerial budget authority. The ministerial authority delegates financial signing authority to the deputy ministers within the departments. Further delegation usually occurs from the deputy to the applicable directors who then authorize/approve budgeted expenditures within their areas of responsibility.

Directors may further delegate financial authority within the applicable business unit. Financial authority must be delegated by way of formal documentation (using the Signing Authority form in Appendix 4-C), which is to be held on file within the department. Signing authorities should be reviewed periodically to ensure that they are still valid. As staff changes are made, the signing authorities should be updated.

From time to time, the ministerial authority may issue specific directives limiting the financial authority for specific expenditure accounts. This limitation of financial authority will be communicated by way of memorandum and will override the general financial authority to approve budgeted expenditures.

Signing authority can also be delegated to a position by Corporate Administrative policy. For example, the corporate Travel Policy provides signing authority to the lead position in an Organizational Unit. There is no requirement to complete the Signing Authority form in such circumstances.

CLASSES OF SIGNING AUTHORITY

Regular
No longer than three years.

Temporary
Authorized for a short period only, such as during a term of temporary assignment.

Acting For
Used when a person is assigned the authority for someone who is absent from the position. (All account numbers do not have to be listed, as they are in the incumbent’s file.)

Policy
Provided by Corporate Administrative policy for limited circumstances and valid for as long as the individual meets the required policy criteria.
Accountability

Government Accounting is responsible for policy development and enhancement. Departments and public service votes are responsible for policy implementation and compliance.

Departments should retain current and proper signing authority documentation on file and ensure verification of signing authorities as a control/compliance procedure prior to processing accounting transactions.

Monitoring

Government Accounting is responsible for updating this policy. Departmental Financial Services Divisions/Corporate Service Units are responsible for monitoring the policy’s implementation, performance, and effectiveness.

Appendix

Appendix 4-C Financial Services Signing Authorities

Enquiries

Executive Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: January 9, 2003
Effective date: July 5, 2001
Approved by: Executive Council
Administrative update: November 5, 2015
## Appendix 4-C

### Financial Services Signing Authorities

<table>
<thead>
<tr>
<th>NAME</th>
<th>TITLE</th>
<th>DEPARTMENT / DIVISION</th>
<th>PHONE NUMBER</th>
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### TERM OF AUTHORITY

- [ ] Permanent
- [ ] 1 Year
- [ ] 2 Year
- [ ] 3 Year
- [ ] Temporary

### IF TEMPORARY

**Acting For**

**Title**

**Renewal Date**

M / D / Y

### GENERAL

- [ ] Public Tenders Office
- [ ] DPO (Departmental Purchase Order)
- [ ] Printing / Publishing Requisitions

### FINANCIAL

- [ ] Purchase Req.
- [ ] Payment of Acct.
- [ ] Journal Entries
- [ ] Travel

### Limits If Any

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<th>G/L Account</th>
<th>Remarks or Descriptions</th>
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</table>

**M / D / Y**

Employee  
Signature

**M / D / Y**

Director  
Signature

**M / D / Y**

Deputy Minister  
Signature
4.3 Accounting Framework for Government Not-For-Profit Entities

Policy Statement
It is the policy of the Province of Nova Scotia that Government Not-For-Profit Organizations (GNFPOs) apply Public Sector Accounting (PSA) Standards, without the 4200 series, as their primary source of Generally Accepted Accounting Principles (GAAP).

Authority
The Finance Act, Section 70(3), allows the Minister of Finance and Treasury Board to prescribe the financial accounting policies and procedures for a government business enterprise or a governmental unit.

Definitions

GOVERNMENTAL UNIT
A governmental unit is a government organization that is not a government business enterprise. Governmental units would include: government not-for-profit organizations and other government organizations such as funds, agencies, service organizations and boards.

GOVERNMENT NOT-FOR-PROFIT ORGANIZATION
A government not-for-profit organization is an organization that has all of the following characteristics:

a) It has counterparts outside the public sector.
b) It is an entity normally without transferable ownership interests.
c) It is an entity organized and operated exclusively for social, educational, professional, religious, health, charitable or any other not-for-profit purpose.
d) Its members, contributors and other resource providers do not, in such capacity, receive any financial return directly from the organization.
Policy Objective

The objective of this policy is to direct GNFPOs to apply the provisions of the PSA Handbook, without the 4200 series, as their primary source of GAAP.

Application

This policy applies to all government not-for-profit organizations controlled by the Province of Nova Scotia on or after January 1, 2012. These entities are listed in Appendix 4-C.

Policy Directives

The Public Sector Accounting Board (PSAB) incorporated the 4400 series from the CICA Handbook – Accounting into the Public Sector Accounting (PSA) Handbook effective January 1, 2012. The standards have been renumbered as Sections PS 4200 to PS 4270. PSAB also implemented changes to the Introduction to Public Sector Accounting Standards giving GNFPOs a choice to apply either:

- a) the PSA Handbook plus the PS 4200 series of standards; or
- b) the PSA Handbook without the PS 4200 series of standards

Despite the alternatives put forth by PSAB, the Minister of Finance and Treasury Board has declared that GNFPOs will apply the PSA Handbook, without the PS 4200 series, in order to be consistent with the Province’s basis of accounting. In accordance with PSAB’s transitional provisions, GNFPOs will be required to adopt the new accounting framework for fiscal periods beginning on or after January 1, 2012. GNFPOs formed subsequent to this date will also apply the PSA Handbook without the 4200 series.

Accountability

GNFPOs are responsible for complying with this policy by using the PSA standards without the 4200 series as their primary source of GAAP in the preparation of their financial statements.

Monitoring

The Controller’s Office of the Department of Finance and Treasury Board is responsible for monitoring the implementation and application of this policy.
Chapter 4: Financial Authority and Responsibilities

4.3 Accounting Framework for Government Not-For-Profit Entities

References
Public Sector Accounting Standards
   PS1000 Introduction to Public Sector Accounting Standards
   PS 2500 Basic Principles of Consolidation

Appendices
Appendix 4-C Government Not-For-Profit Organizations

Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Approval date: December 15, 2011
Effective date: January 1, 2012
Approved by: Executive Council
Administrative update: May 30, 2016
Appendix 4-C

Government Not-For-Profit Organizations

Annapolis Valley Regional School Board
Art Gallery of Nova Scotia
Cape Breton-Victoria Regional School Board
Chignecto-Central Regional School Board
Conseil scolaire acadien provincial
Gambling Awareness Foundation of Nova Scotia
Halifax Regional School Board
Izaak Walton Killam Health Centre
Nova Scotia Community College
Nova Scotia Health Authority
Nova Scotia Health Research Foundation
Nova Scotia Legal Aid Commission
Nova Scotia School Boards Association
Provincial Drug Distribution Program
Public Archives of Nova Scotia
Sherbrooke Restoration Commission
South Shore Regional School Board
Strait Regional School Board
Tri-County Regional School Board
Chapter 5: CFMS Financial System Overview
Chapter 5: CFMS Financial System Overview

5.1 CFMS System Overview

Policy Statement
It is the policy of the Province of Nova Scotia to use the Corporate Financial Management System (CFMS)

- to record financial transactions
- to generate reports and reliable information meeting users’ needs in support of key decision-making processes
- for interim financial reporting purposes of the government reporting entity

Definitions

CFMS
The Corporate Financial Management System was implemented on April 1, 1997 for all provincial departments and agencies (see Appendices 5-A, 5-B, and 5-C). CFMS is currently distributed to over 800 departmental users in more than 60 provincial locations with the following system modules/components:

- Financial Accounting (FI) Module
- General Ledger
- Accounts Receivable
- Accounts Payable
- Asset Management
- Funds Management

- Controlling-Cost Centre Accounting (CO) Module
- Standard Hierarchy
- Cost Centres
- Cost Elements
- Orders
- Activities

- Material Management (MM) Module
- Procurement
- Inventory
- Plant Maintenance

- Modules not yet implemented
- Project System
- Workflow
- Industry Solutions
- Human Resources
- Quality Management
- Production Planning
- Sales and Distribution

CIS
Corporate Information Systems is a division of the Department of Finance. It provides functional support, direction, and maintenance for CFMS and plans and coordinates the implementation of system improvements and expansions.

SAP
Systems Applications and Products for Data Processing
GENERAL LEDGER (GL)
The General Ledger is an orderly financial accounting structure that summarizes all transactions at the account number level. The GL enables government departments to compare their current financial actuals to historical data.

ACCOUNTS RECEIVABLE (AR)
The Accounts Receivable component of the SAP FI module is used to administer the outstanding accounts of customers of the Province of Nova Scotia. This module supports postings to customer accounts, open item management, invoice generation, reporting and analysis, and integration with accounts payable and the corporate general ledger.

ACCOUNTS PAYABLE (AP)
The Accounts Payable component is used to process payments for vendor invoices, cheque requisitions, travel expense reimbursements, etc., that are either purchase order—based or non-purchase order—based. Cheques are issued centrally and are settled by cheque issued in Canadian or US funds.

ASSET MANAGEMENT (AM)
Tangible capital assets are recorded in the Asset Management module. Transactions include purchases, disposals, write-downs, and assets under construction. Assets are recorded in the AM module according to appropriate asset classes and threshold amounts for each class, as outlined in the Tangible Capital Assets Policy.

INVENTORY MANAGEMENT
The Inventory Management module of the CFMS deals with the management of material stocks on a quantity and value basis. This module facilitates the planning, entry, and documentation of all goods movements as well as performing physical inventory counts. This module does not include inventory held for resale.

PROCUREMENT
The Procurement module is used to process the purchase of goods, services, and construction in accordance with government procurement policy. The Procurement module is integrated with all other materials management modules as well as most other modules. Procurement involves all transactions required to complete a purchase: the creation of a requisition, the tendering process, purchase order creation, and goods receipt. Outline agreements, standing offers, or long-term contracts are also part of procurement responsibility.
CONTROLLING
This module contains the records for the government standard hierarchy, cost centre reporting, and orders reporting. Departments are required to do detailed budgeting and reporting, by department, division, and program (budget subject) and to enter those values into Controlling. This module is a reporting tool to enable fiscal accountability and linkage of departmental business plans to the government’s strategic direction by reporting actual results, budgeted amounts, and variances. It also uses orders to track costs for information purposes or for rebilling.

FUNDS MANAGEMENT (FM)
Features of this module include the fund centre hierarchy, funds reservation, availability controls, and a copy of the final approved budget for all accounts, including balance sheet items. Currently, the only balance sheet accounts budgeted in FM are tangible capital assets.

PLANT MAINTENANCE
The Plant Maintenance module allows for the structuring of plant systems into functional locations, pieces of equipment, and their assemblies. The system provides a means to stay up to date on all maintenance needs through the use of maintenance notifications. These notify the maintenance staff of all operational problems and form a permanent record of the problem. Both planned and actual costs of a maintenance order are constantly updated from budgeting through settlement. Cost information can be obtained through the order history. Complex regular maintenance tasks are set up in general maintenance task lists. The preventative maintenance aspect of the system ensures increased availability of plant systems by planning orders for periodic maintenance work.

Policy Objectives
The objectives of this policy are to

• provide an overview of the system components of CFMS with the goal of enhancing users’ knowledge of CFMS and its applications
• familiarize users with practices and procedures established for CFMS system security, access, and system change requests.

Application
This policy applies to all users of the CFMS/SAP system.
Policy Directives

SECURITY ACCESS REQUEST FORMS
In order for a user to gain access to components of the CFMS system a security access form must be completed by the user, approved by the Director of Finance of the department or corporate services unit, and forwarded to the CIS Division, Department of Finance, for system activation/implementation. Security access request forms are located in Appendix 5-D and 5-E of this policy. CIS will notify the user when access has been activated.

SYSTEM CHANGE PROCEDURES
CFMS/SAP system changes may be initiated by system users, system stakeholders, or by CIS Division staff. Examples of system changes are

• changes to interface programs
• new system reports
• changes to configuration/IMG
• creation of a new interface

System change procedures are located in Appendix 5-F of this policy.

Accountability
Corporate Information Systems (CIS) is responsible for policy development with respect to CFMS system security access, system changes, upgrades, and enhancements. Appropriate input on impact to departments should be obtained from the Senior Financial Executive Forum (SFEF).

Departments are responsible for implementation of and compliance with policy.

Monitoring
Corporate Information Systems will ensure the policy’s implementation and monitor its performance and effectiveness.

References
CFMS Training Manuals
CFMS Activity Subscripts
Enquiries
Director, Corporate Information Systems (CIS)
Department of Finance
(902) 424-2939

Appendices
Appendix 5-A  SAP R/3 Modules
Appendix 5-B  Logistics Module Integration
Appendix 5-C  Financial Module Integration
Appendix 5-D  CFMS Security Access Request Form
Appendix 5-E  Policy on Confidentiality and Financial Information
Appendix 5-F  Procedure for System Change Request for CFMS/SAP System

Approval date:  January 9, 2003  Effective date:  July 5, 2001
Approved by:  Executive Council  Administrative update:  November 23, 2009
Appendix 5-A

What are the SAP R/3 Modules?

SAP R/3 consists of different modules, each of which handles specific business processes and applications:
Logistics Module Integration

Appendix 5-B
Appendix 5-C

Financial Module Integration

FI
General Ledger

Actual Posting

FM
Budget

CO
Cost Center Accounting

Actual Posting

Detail Planning
Appendix 5-D

Corporate Financial Management Systems Security Access Request Form

Part I

Before access will be granted to the SAP system, this form and the attached employee pledge of confidentiality, in their original format, must be returned to the Department of Finance, Corporate Information Systems 5th floor Provincial Building, attention CFMS Security. (See Part II for posting security details.)

For CSU financial security, i.e., access to information in more than one business area (department), please include details on Part II.
Corporate Financial Management Systems
System Access Request Form

Part II
Employee Name: _______________________________________________________

Default security for inquiry and posting equals all divisions and cost centres within
business area. Indicate Posting or Inquiry security by entering P or I next to business
area. Transactional access is based on the job roles selected on the front page. Cost
Centre information prior to April 1997 is not available.
Appendix 5-E

Policy on Confidentiality and Financial Information

Department of Finance Corporate Information Systems

I, __________________________, do solemnly and sincerely swear that I will faithfully and honestly and to the best of my ability and knowledge fulfil the duties and responsibilities required and requested of me by reason of my employment in the public service of the Province of Nova Scotia and that I will not, without appropriate prior authority, disclose or make known to any person any matter that comes to my knowledge by reason of such employment.

_____________________________  ___________________________
____
Witness       Signature of Employee
Appendix 5-F

Procedure for System Change Request for CFMS/SAP System

Receive and Route Change Request
1. The request is received by a staff member of the CIS division, most often through the SAP Help Desk. Examples of requests for system changes could be
   - writing new system reports
   - changes to interface programs
   - changes to configuration/IMG
   - requests from auditors
   - changes to SAP standard delivered software
2. The request is routed to the appropriate person or workgroup through the Remedy System or by other means of communication.

Analyse Change Request
1. Staff member(s) review the request.
2. The request is assigned to a staff person or workgroup (technical, functional, basis administration, or security)
3. Support staff contacts the client to
   - obtain additional information and clarification
   - determine urgency and client deadline and to establish priority
4. The request is analysed; this may include:
   - a review of OSS research notes
   - an analysis of SAP functionality possibilities
   - a review system integration implications
5. Work effort is estimated.
6. Resource availability is determined.
7. The change request is reviewed with stakeholders or other interested parties:
• approval is obtained from SFEF or the CFMS Steering Committee and stakeholders other than the requester, if necessary.

• This may include the preparation of a business case, in consultation with the client, to support the change request.

8. If the request is approved, the work is scheduled.

**Schedule the Work**

1. Appropriate work is carried out to fulfil the request:
   
   • appropriate configuration changes made by functional person
   • ABAP programs written, tested, and promoted by technical staff
   • testing in development; possible new security profiles considered
   • transport documentation prepared
   • correction and transport into appropriate SAP for testing
   • testing carried out by appropriate functional and technical staff
   • actual scenarios considered/written and further integration testing completed
   • changes moved into production client
   • modifications of SAP-delivered ABAP coding

2. Correction/change is tested and implemented.
Chapter 6: Financial Reporting and Accounting Policies
6.1 General Ledger New Account Request

Policy Statement
Government Accounting centrally controls and maintains the SAP chart of accounts for all users of the province’s SAP system.

Definitions

STATISTICAL ORDERS
Statistical orders identify costs for information purposes only to track such things as costs for a project. These orders provide shadow reporting for costs posted to cost centres. Costs of individual projects may be reported separately for information purposes by order number while the total expenses for all projects are still reported by cost centre for budgetary purposes. These orders are not settled and cannot have overhead applied.

INTERNAL ORDERS
Internal orders are used to collect the costs of a job or project that will be settled to another cost centre, a general ledger account, or an asset. They are allocated regularly, or when the work is finished.

Policy Objective
The objective of this policy is to detail the controls established to minimize duplication and excessive volumes of accounts being created and to maintain consistency in general ledger (GL) structure, cost collection, and financial reporting.

Application
This policy applies to all users of the province’s SAP system.

Policy Directives
To prevent excessive volumes of accounts and duplication of work effort, this policy requires that requests for new general ledger accounts are supported with valid reasons for account creation.

Users should consider the following in advance of requesting a new account:
• Check for an account that already exists and could be used to code the transaction.
• Check for a blocked account with no previous postings. It may be suitable to be unblocked, renamed and used for the new purpose.
• Consider the frequency of transactions to be posted to the requested account, i.e., is this significant enough to justify cost collection at the general ledger account level.
• Consider if the costs can be collected by creating a statistical or internal order as opposed to a general ledger account.

**General Ledger (GL) Account Structure**

<table>
<thead>
<tr>
<th>Category</th>
<th>GL Accounts</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>101000-199999 + Business Area</td>
</tr>
<tr>
<td>Liabilities and Net Debt</td>
<td>210000-299999 + Business Area</td>
</tr>
<tr>
<td>Revenues</td>
<td>300000-399999 + Business Area (Cost Centre)</td>
</tr>
<tr>
<td>Recoveries</td>
<td>500000-599999 + Business Area (Cost Centre)</td>
</tr>
<tr>
<td>Expenses (Salaries)</td>
<td>610000-629999 + Business Area (Cost Centre)</td>
</tr>
<tr>
<td>Expenses (Travel etc)</td>
<td>630000-859999 + Business Area (Cost Centre + Supplement Code)</td>
</tr>
<tr>
<td>Expenses (Grants &amp; Assistance)</td>
<td>860000-879999 + Business Area (Cost Centre + Supplement Code)</td>
</tr>
<tr>
<td>Expenses (Debt Charge)</td>
<td>880000-889999 + Business Area (Cost Centre + Supplement Code)</td>
</tr>
<tr>
<td>Expenses (L/C Division)</td>
<td>890100-899999 + Business Area (Cost Centre + Supplement Code)</td>
</tr>
<tr>
<td>Expenses (Fees and Other)</td>
<td>900000-909999 + Business Area (Cost Centre)</td>
</tr>
<tr>
<td>Expenses (L/C Departments)</td>
<td>950000-999999 + Business Area (Cost Centre)</td>
</tr>
</tbody>
</table>

**Policy Guidelines**

Requests for new GL Accounts or changes (description changes, blocking, or unblocking) to existing accounts should be forwarded by GL Request Form (Appendix 6-A) to the Executive Director of Government Accounting. Once approved, the request is sent to Operational Accounting for second approval and update to GL Chart of Accounts Master files.

The requesting department will be notified when the request has been completed or will be contacted to discuss an alternative account to use.

**Accountability**

Government Accounting is responsible for the timely review and approval of GL Request Forms and for advising the users of alternative means of reporting where available.

Operational Accounting is responsible for timely review and processing of GL Request forms.

Users of SAP for financial transactions are required to initiate and forward the requests as required.
Monitoring

Government Accounting will monitor the policy for implementation, performance, and effectiveness.

Enquiries

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Appendices

Appendix 6-A Request for General Ledger Account

<table>
<thead>
<tr>
<th>Approval date:</th>
<th>July 31, 2008</th>
<th>Effective date:</th>
<th>August 21, 2008</th>
</tr>
</thead>
</table>
### Appendix 6-A

**Request for General Ledger Account**

<table>
<thead>
<tr>
<th>Account Number:</th>
<th>*Reference Account Number:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Text:</td>
<td>17 Characters</td>
</tr>
<tr>
<td>Long Text:</td>
<td>40 Characters</td>
</tr>
</tbody>
</table>

Purpose of New Account:

<table>
<thead>
<tr>
<th>P&amp;L Statement Account: Yes or No</th>
<th>Balance Sheet Account: Yes or No</th>
</tr>
</thead>
</table>

**For Office Use Only**

<table>
<thead>
<tr>
<th>Account Currency:</th>
<th>Only Balances in Local Currency: Yes No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange Rate Difference Key:</td>
<td>Valuation Group: Tax Category:</td>
</tr>
<tr>
<td>Posting without Tax Allowed: Yes No</td>
<td>Recon. Account for type:</td>
</tr>
<tr>
<td>Open Item Managed: Yes No</td>
<td>Line Item Display: Yes No</td>
</tr>
<tr>
<td>Sort Key:</td>
<td></td>
</tr>
</tbody>
</table>

**Create/Bank/Interest:**

<table>
<thead>
<tr>
<th>Field Status Group:</th>
<th>Post Automatically Only:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relevant Cash Flow:</td>
<td>Commitment Item:</td>
</tr>
<tr>
<td>House Bank (CIT):</td>
<td>Account ID (CIT):</td>
</tr>
</tbody>
</table>

**Cost Element:**

<table>
<thead>
<tr>
<th>Cost Element Created: Yes No</th>
<th></th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Requester Finance CSU: Date:</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Approval Operational Accounting: Date:</td>
<td></td>
</tr>
<tr>
<td>Approval Government Accounting: Date:</td>
<td></td>
</tr>
</tbody>
</table>

*Reference Account Number refers to a previous account that has been set up with the same details for example same blank information, account currency, open item managed, or the same "for office use only details." By not providing a reference number those details will have to be provided by the requester.
6.2 Month-End/Year-End Procedures

Policy Statement
It is the policy of the Province of Nova Scotia to ensure that procedures are in place to support timely and accurate financial reporting.

Policy Objective
The objective of this policy is to establish and communicate a standard set of month-end/year-end procedures as a checklist to ensure that all transactions are completely and accurately recorded in the accounting system for the effective reporting of financial results.

Application
This policy applies to all of the Province’s departments, public service units, agencies, boards, and commissions contained in the General Revenue Fund (hereinafter referred to as “departments”).

Policy Directives

DEPOSITS
Ensure that deposits are made in a timely manner, daily if possible. This is especially important at month-end and year-end.

PETTY CASH/CASH FLOATS
Ensure that there is authorized documentation for any outstanding advances/floats. Prepare an annual checklist for each division to verify that the recorded holder of petty cash and the recorded amounts are correct. Obtain assurance that the fund is being managed in accordance with Province of Nova Scotia policies and procedures.

CASH IN TRANSIT (CIT)
The Liability Management and Treasury Services Division of the Department of Finance and Treasury Board is to be notified of large cash inflows. Departments must reconcile and clear cash in transit accounts to zero on a monthly basis. It is important for departments to ensure that the cash belongs to their respective business area before clearing it to revenues. Departments must prepare a CIT reconciliation each month. This reconciliation must be reviewed and signed by the financial manager and retained for audit purposes.
TRUST FUNDS AND SPECIAL PURPOSE FUNDS
Reconcile these accounts to the balances recorded in SAP on a monthly basis, including a reconciliation to the Continuity Statements prepared by Liability Management and Treasury Services. Departments must prepare annual financial statements for each of their Special Purpose Funds and send these statements to Government Accounting for consolidation purposes.

ACCOUNTS RECEIVABLE
Prepare and review an accounts receivable aging report on a monthly basis.

ACCOUNTS RECEIVABLE COLLECTION ACTIVITY
Standard accounts receivable collection procedures should be in place, addressing such things as the use of customer account statements and dunning (collections) letters, where appropriate. Departments should review accounts receivable customer balances for collectability. When warranted, an allowance for doubtful accounts should be recorded, including specific bad debts and estimated other uncollectable amounts (refer to Chapter 11.3, Bad Debts Write-off Procedures).

NSF/RETURNED CHEQUES
NSF/Returned cheques should be reconciled on a monthly basis. Once departments become aware that cheques have been returned, they should set up an account receivable for the amount within SAP and follow up with collection efforts.

ACCOUNTS PAYABLE
The Operational Accounting Division of the Department of Internal Services should reconcile accounts payable control accounts to the general ledger prior to month-end close. Departments should reconcile manually posted accruals and accounts payable general ledger accounts to supporting documentation on a timely basis. Accounts with high volumes should be reconciled at least monthly, and may be reconciled weekly if warranted. Other accounts may require only quarterly reconciliation. Foreign exchange gains and losses, discounts lost, and GR/IR clearing accounts should be cleared monthly.

Policy Guidelines

GENERAL

• Accounts for cash under/over should be monitored, reviewed, and balanced on a monthly basis.
• Quarterly advance reconciliation confirmations should be submitted to Operational...
Accounting by the 20th calendar day of the following month. Corporate credit card (PCard, Fleet Card) suspense account 769600 must be cleared and purchases reviewed on a monthly basis.

- Invoices and documents that are entered into SAP daily/weekly should be checked against cut-off dates to ensure transactions are posted in the correct period. Departments should check monthly dates for accounts payable close, external journal close, and general ledger close to ensure data is complete before running reports. AP invoices are sometimes blocked for payment pending further information. A report of these blocked invoices should be run and reviewed monthly to ensure that blocking status is still required. Ensure these are cleared monthly. Expense reports should be processed up to date each month. Parked document reports should be run monthly. Ensure parked documents are cleared/deleted.

- On a monthly basis, a GR/IR report should be generated. Items older than 90 days are to be checked monthly against invoices processed. Procurement officers will need to check items on the report against purchase orders. The discounts lost account should be cleared on a monthly basis. Outstanding commitments should be reviewed on a monthly basis to ensure they are still valid.

**INTERNAL ORDERS**

Internal orders should be reviewed and settled prior to the month-end close. This is especially important at year-end. Upon completion of the project, the internal order must be closed in order to prevent additional charges being recorded against it.

**RECOVERIES**

Reports for cost-recoverable programs should be prepared if required. Secondment journal entries should be processed and reviewed at least quarterly. Departments should ensure that rebills are completed monthly. For special projects where amounts are to be rebilled, departments should make sure that all time, travel, and expenses are updated and recorded.

**REVENUE AND EXPENSES**

Monthly reviews of actuals should be compared to prior year, forecast, and estimate. Variances exceeding 10 per cent over the prior year’s actuals should be investigated. It may be more meaningful to compare actuals to date with the percentage of total estimates based on the amount of fiscal year that has elapsed.

**Accountability**
Departmental Financial Services Divisions/Corporate Service Units are responsible for ensuring month-end/year-end procedures are completed on a timely basis for effective financial reporting.

**Monitoring**

Departmental Financial Services Divisions/Corporate Service Units are responsible for monitoring the implementation and compliance of this policy.

The Operational Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy.

**Enquiries**

Director, Operational Accounting  
Department of Internal Services  
(902) 424-6626

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Approval date: **July 31, 2008**  
Approved by: **Executive Council**  
Effective date: **August 21, 2008**  
Administrative update: **November 10, 2014**
6.3 Data Dictionary

Policy Statement
The purpose of this policy is to provide SAP users with a reference document for accounts to be used for coding revenues and expenses.

Policy Objective
To promote consistent use of the chart of accounts for coding transactions within the SAP general ledger.

Application
This policy applies to all users of the government’s SAP general ledger.

Policy Directives
Users are encouraged to refer to the data dictionary (Chart of Accounts) and to consistently apply the chart of accounts for coding revenues and expenses. Transactions should be coded to match the nature of the expense incurred, regardless of the availability of budgetary amounts for those expense accounts. Brief descriptions are provided on the proper use of each account to promote consistent usage across departments.

Accountability
Government Accounting is responsible to update this policy periodically. Departments are responsible for providing input on this policy to ensure that operational needs are met and for consistently coding transactions in accordance with this data dictionary.

Monitoring
Government Accounting will monitor the policy’s performance and effectiveness.

References
Chart of Accounts/Data Dictionary file on Intranet:
<http://iweb.gov.ns.ca/finance/corpacct/>
Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Approval date: July 31, 2008
Approved by: Executive Council

Effective date: August 21, 2008
Administrative update: May 30, 2016
6.4 Reporting Losses or Irregularities to the Minister of Finance

Under development.
6.5 New Business Area

New Business Area
The purpose of this document is to
• create a checklist for the Corporate Information System Division to ensure that all configuration and authorization requirements are performed
• outline the processes in each module, that have to be completed before the old business area is revoked
• to assign responsibility to ensure that all accounting process (Financial Accounting and Procurement) are completed before old cost centres are blocked.

Authorizations
Changing authorizations within CFMS/SAP is a very tedious and time-consuming process. Individual user profiles have to be updated to accommodate each new business area. The old business area, cost centres, order types, etc., have to be deleted from the user profile. Then, new security objects and profiles have to be created and added to each user. This process must be completed for every job profile that exists for the user. For example, currently on the system there are 25 users in Department A and 53 users in Department B. If a new business area is created, 78 profiles would have to be changed; whereas, if an existing business area like Department B is used, only 25 profiles would have to be changed.

Financial Accounting Module

GENERAL LEDGER/ACCOUNTS PAYABLE
In the event that a new business area is created, the following accounts, which are set up under the vendor account and are assigned to a specific business area, have to be balanced and cleared before the authorization for a business area is revoked. After the business area authorization is revoked, the user will no longer be able to access the information for inquiry and reconciliation purposes.

The accounts that have to be reconciled are
• advances to vendors (down payments)
• vendor hold backs
• GR/IR (goods receipt/invoice receipt) account 149103
• discount lost (131104) account reconciliation
• cash in transit
• suspense accounts (used for acquisitions/gas credit cards)

Recurring Documents
Recurring documents must be created in the new business area, and the existing documents in the old business area must be marked for deletion.

ACCOUNTS RECEIVABLE
With regards to accounts receivable, two components may be affected. First, as a result of multiple customer masters, new customers may be required for the new business area. Secondly, as a result of revenue accounts being assigned to a specific business area, new accounts have to be created under the new business area. Reports have to be processed to document these revenue account transfers.

ASSET MANAGEMENT
• A new asset master record has to be created using the new business area.
• Each asset has to be transferred to the new asset master record.

Controlling Module

STANDARD HIERARCHY/COST CENTRES
New cost centre groups and cost centres must be created. Cost centres must be assigned to the appropriate fund centre in Funds Management.

Alternative hierarchies also have to be changed.

New Cost Centres
New cost centres have to be created no later than January of the current fiscal year, so that new purchases for the next fiscal year will commit in the correct cost centre. If these cost centres are not available, then the purchase orders/requisitions will not post.

Existing Cost Centres
Existing cost centres cannot be moved to a new business area. The business area field within the cost centre cannot be changed once a transaction has been posted to it.

ORDERS
There are two options for orders:
• Create new order types.
• Move old order types to the new business area and make modifications to the number range to accommodate the new business area.
The old orders have to be closed so that no transactions can be posted to them. New orders have to be recreated using the new business area and cost centre.

**ACTIVITY TYPES**
The department has to create new activity allocation plans in the new cost centre.

**Treasury Module**
**FUNDS MANAGEMENT**
**Fund Centres**
New fund centres are required.

**Fund**
A new fund must be created for the new business area.

**Cash Management**
There is currently no effect. A suggestion has been made to add the business area to the bank cash-in transit download. If this takes place, the functional specialist will have to change the business area through configuration.

**Logistics Module**
**PROCUREMENT**
Currently on the system there are in excess of 50,000 vendors and 40,000 materials, which have to be assigned to the new purchasing organization and plants. This will take up a considerable amount of space on the system.

**CREATING NEW PURCHASE ORDERS/REQUISITIONS**
In March when creating purchase orders/requisitions you must ensure that the item(s) will be received by March 31. If you cannot guarantee that the item(s) will be received by March 31, then create purchase orders/requisitions for the new year using the new business area and cost centre. If the item(s) are not received by March 31 the purchase order has to be cancelled and recreated in the new fiscal year, as purchasing organizations and plants are hard-coded in the document.

**CIS Division**
- A new purchasing organization and a new plant have to be created for each new business area.
- All of the existing vendors have to be recreated for each new organization.
- The material master has to be recreated for each new plant.
Procurement Division
• Contracts, or standing offers, for government-wide-use have to have the new purchasing organizations added to them.
• Existing standing offers that are department specific have to be recreated if the department is assigned a new business area.

Departments
• Requisitions and/or purchase orders that are outstanding at year-end have to be recreated in the new business area. The account assignment cannot be changed in the outstanding purchase order/requisitions as the purchasing organization and plant are hard-coded to a purchase order/requisition and cannot be changed. This is a manual process and is extremely time consuming.

INVENTORY
There is currently no effect as Transportation and Infrastructure Renewal is the only department using this functionality.

If any inventory exists in an affected business area, the following have to be completed:
• Create new plants and stock locations.
• Extend materials to new plants.
• Transfer actual inventory to new plants and stock locations.

PLANT MAINTENANCE
There is currently no effect as Transportation and Infrastructure Renewal is the only department using this functionality.

If any plant maintenance exists in an affected business area, the following have to be completed:
• There are two options for orders:
  • Create new order types.
  • Move old order types to the new business area and make modifications to the number range to accommodate the new business area.
• The old orders have to be closed so that no transactions are posted to them.
• New orders have to be recreated using the new business area and cost centre.
CFMS/SAP Interfaces
Any change in business area requires the departments who are transmitting the files to CFMS/SAP to correct the established file details. Originating departments are responsible to ensure usage of the proper business areas and cost centres, etc. Our interfaces will simply edit the data for integrity and post it if it meets all of the system-defined criteria.

Current interfaces:
- Communications Nova Scotia
- Housing
- Registry of Motor Vehicles
- Business Registry
- Telecommunications
- Command Billing TSS
- payroll interfaces
- plant maintenance
- Community Services
- contract interfaces for Procurement Division

Note: Originating systems such as HRMS, etc., also have to be updated with the new business area changes.

Enquiries
Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008
Effective date: August 21, 2008
Approved by: Executive Council
Administrative update: August 21, 2008
6.6 Reporting Accounting Changes

Policy Statement
It is the policy of the Province of Nova Scotia to record and report accounting changes in accordance with generally accepted accounting principles for the public sector.

Definitions

CHANGE IN ACCOUNTING POLICY
A change made in the specific principles or methods applied in the preparation of financial statements. These changes often result from the adoption of a Public Sector Accounting Board (PSAB) recommendation, from a change in choice among two or more appropriate principles (or methods used in their application), or from the desire to have a more appropriate presentation of events or transactions in the government’s financial statements.

CHANGE IN ACCOUNTING ESTIMATE
A change made as part of the normal process of accounting. These changes result from the occurrence of new events, as more experience is acquired, or as additional information is obtained.

PRIOR PERIOD ERROR
An error that may result from such things as a mistake in computation, a misrepresentation of information, or an oversight of information available at the time that the financial statements were prepared.

PROSPECTIVE APPLICATION
The effect of the change is applied in the current period to events and transactions occurring after the date of the change and to any outstanding related balances existing at the date of the change. No cumulative catch-up adjustment is made to such balances.

RETROACTIVE APPLICATION
The effect of a change on events and transactions is accounted for in prior periods from the date of origin of such items. The financial statements for the prior period presented for comparative purposes are restated to reflect the new policy, except
when the effect of the change is not reasonably determinable for individual prior periods. In the latter case, the balance of accumulated surplus/deficit is restated to reflect the cumulative effect of the change on periods prior to that date.

Policy Objectives
The objective of this policy is to define the appropriate recording and reporting of a change in an accounting policy, a change in accounting estimate, and a correction of an error relating to prior period financial statements.

Application
This policy applies to all of the Province’s departments, public service units, agencies, boards and commissions contained in the General Revenue Fund (hereinafter referred to as “departments”).

Organizations outside of the General Revenue Fund (GRF) but within the Government Reporting Entity\(^1\) (GRE) are encouraged to adopt a policy that allows for the accurate and consistent reporting of accounting changes in compliance with the entity’s generally accepted accounting framework. It is recognized that many entities may already have an appropriate policy in place. These organizations are responsible for reporting their accounting changes to the Government Accounting Division as part of the year-end consolidation reporting requirements.

Policy Directives
The appropriate recording of accounting changes depends on the type of change and the reason for the change.

**CHANGE IN ACCOUNTING POLICY**
When a change in an accounting policy is made to conform to a new PSAB recommendation or to adopt a PSAB recommendation for the first time, the change should be accounted for in accordance with any related transitional provisions. In the absence of specific transitional provisions, the change may be applied retroactively or prospectively. The Province consistently strives to apply changes of this nature retroactively to provide consistent reporting for the users of its financial statements.

Sometimes there is a choice from among two or more appropriate principles or methods used in their application. When a change is made, or when a change is applied because it is believed that it would result in a more appropriate presentation

\(^1\) For definition, see Corporate Administrative Policy Manual #200, Chapter 4.1 Government Reporting Entity.
of events or transactions in the financial statement, the new accounting policy should be applied retroactively, unless the necessary financial data are not reasonably determinable. For example, a change from the first-in-first-out to weighted average cost method of inventory costing is a change in an accounting policy.

For each change in an accounting policy in the current period, the following information should be disclosed in the notes to the financial statements:

- a description of the change
- the effect of the change on the financial statements of the current period
- the reason for the change

When a change in an accounting policy has been applied retroactively and the prior period has been restated, the fact that the financial statements of the prior period have been restated and the effect of the change on those prior periods should be disclosed in notes to the financial statements. When a change in an accounting policy has not been applied retroactively, this fact, and the reasons therefor, should be disclosed.

**CHANGE IN ACCOUNTING ESTIMATE**

The effect of a change in an accounting estimate should be accounted for prospectively in the current period and any applicable future periods. A change in an accounting estimate should not be given retroactive effect because it arises from new information, more experience, or the occurrence of new events. Revising bad debt reserves or accrued liabilities are examples of changes in accounting estimates.

It is sometimes difficult to distinguish between a change in an accounting policy and a change in an accounting estimate. In cases where it is difficult to draw a clear distinction, it is usual for the change to be treated as a change in estimate rather than a change in policy.

When a change in estimate occurs in the course of accounting for normal operating activities, disclosure is not usually necessary. However, when a change in an accounting estimate is rare or unusual and may affect the financial results of both current and future periods, financial statement note disclosure of the nature and effect on the current period may be desirable.

**CORRECTION OF AN ERROR IN PRIOR PERIOD FINANCIAL STATEMENTS**

Prior period material accounting errors should be accounted for retroactively. Comparative information should be restated, unless it is impracticable to do so. Restatements of prior periods are done to the affected General Ledger balances and
to the comparative numbers on the financial statements. Government Accounting is normally involved in preparing these adjustments with the help of information provided by the applicable departments.

For example, an estimate made as part of the normal process of accounting, may be proven by subsequent events to be inaccurate but is not considered to be an error. However, if an expense was recorded as an asset instead of an expense, that is an error. The correction to reduce the asset account and record the expense would be recorded retroactively.

When there has been a correction of an error in prior period financial statements, the following information should be disclosed in the notes to the financial statements:

• a description of the error
• the effect of the correction of the error on the financial statements of the current and prior periods
• the fact that the financial statements of prior periods that are presented are restated.

Policy Guidelines
Judgement is required in the determination of the nature of the accounting change, resulting reporting requirements, and the level of disclosure required. Each circumstance will be assessed individually to determine the appropriate treatment with due consideration given to materiality. Departments are asked to obtain advice from Government Accounting on the most appropriate approach in each circumstance.

Accountability
Departmental Financial Services Divisions/Corporate Service Units are responsible for ensuring that any accounting changes are identified and provided to the Government Accounting Division by year-end.

The Government Accounting Division is responsible for compiling all accounting changes for the GRF and GRE and ensuring they are appropriately reported and disclosed in the Province’s Public Accounts.


**Monitoring**

Departmental Financial Services Divisions/Corporate Services Units are responsible for monitoring the implementation and compliance of this policy. The Government Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy.

**References**

PS 2120 Accounting Changes — Public Sector Accounting Handbook

**Enquiries**

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

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**Approval date:** July 31, 2008
**Effective date:** August 21, 2008
**Approved by:** Executive Council
**Administrative update:** June 17, 2014
Chapter 7: Cash Management
7.1 Cash Management Policy

Policy Statement
This Cash Management Policy has been developed in order to safeguard the management of General Revenue Fund cash balances. It ensures accurate and timely receipt by the Department of Finance and Treasury Board of all information impacting Province of Nova Scotia General Revenue Fund cash flows.

Authority
Cash management refers to the prudent and efficient management of receipts and disbursements of public money to and from the General Revenue Fund, and is the responsibility of the Minister of Finance and Treasury Board. The source of authority for this policy is the Finance Act, Section 13 and Section 14. The act states

13 (1) All money received by the Minister must be deposited to the credit of the Minister in the General Revenue Fund or the appropriate trust fund.
(2) Except as otherwise provided, where any expenditure of money or incurrence of an expense is authorized by an Act of the Legislature, such expenditure of money or incurrence of an expense may be charged to or made from the General Revenue Fund.
(3) The Minister shall establish accounts with such banks as the Minister designates for the deposit of public money.

14 Every person employed in the collection or management or charged with the receipt of public money shall
(a) deposit it to the credit of the account of the Province at such places, in such manner and at such times as the Deputy Minister directs;
(b) keep a record of receipts and deposits thereof in such form and manner as the Deputy Minister directs; and
(c) account for the public money in such manner and at such times as the Deputy Minister directs.

The Minister of Finance and Treasury Board has delegated the authority for cash management and banking services through the Department of Finance and Treasury Board’s Policy on Trading and Signing Authorities to the Department of Finance and Treasury Board, Liability Management and Treasury Services Division (LMTS) and the Capital Markets Administration Division.
Definitions

PUBLIC MONEY
All money belonging or payable to, or received, collected or held by, for or on behalf of, the Province, and includes revenue of the Government Reporting Entity and money raised on the credit of the Province, but excludes trust funds (Section 2(z) of the Finance Act).

Policy Objectives
This Cash Management Policy has been developed to ensure that public monies are safeguarded and that the General Revenue Fund is the sole recipient of any benefit derived from these funds.

This Cash Management Policy has also been enacted to ensure that accurate and timely information of cash receipts and disbursements, affecting the Province of Nova Scotia General Revenue Fund, are received by the Department of Finance and Treasury Board. The receipt of such information is required to ensure that adequate safety, liquidity and efficiencies of cash balances are implemented throughout the General Revenue Fund and to allow for the accurate recording of all transactions.

Application
All members of the Government Reporting Entity (GRE) with cash information that would impact the Province of Nova Scotia General Revenue Fund cash positioning process are required to notify the Department of Finance and Treasury Board, LMTS, Cash Management Services (email address Cash-Advice-Information-Finance-LMTS@novascotia.ca). The application of the policy includes all material cashflows that impact the General Revenue Fund. Material cashflows are defined by this Policy as deposits over $200,000 and outflows over $500,000.

Policy Directives
Cash management, including deposits and outflows of public money and bank account operations of the General Revenue Fund, are the responsibility of the Minister of Finance and Treasury Board. Members of GRE are responsible for ensuring the timely receipt, control and deposit of public monies to the Province of Nova Scotia General Revenue Fund bank accounts.
Members of GRE with cumulative deposits of Province of Nova Scotia General Revenue Fund monies over $200,000, or cumulative outflows, either via Electronic Vendor Payment or cheque, over $500,000 are to advise Department of Finance and Treasury Board, LMTS in a timely manner. Members of GRE with material cash information are to forward via email to Cash-Advice-Information-Finance-LMTS@novascotia.ca indicating: (1) the name of department or member of GRE, (2) the Amount, the name of the bank of deposit or outflow (if outflow, identify if outflow is via Electronic Vendor Payment or cheque), (3) the date of cashflow, and (4) the contact information of the sender as soon as the cashflow information is known. Deposit and outflow notifications are required prior to 11:30 am on the day of the cashflow. Deposits are required to be made prior to 3:00 pm. Outflow amounts greater than $10 million require a minimum of three (3) days advance notice.

All cash and cheques for deposit must be placed in a secure site with limited access prior to the deposit at the member of GRE’s bank. All cheques received must be stamped on the back with the appropriate domicile stamp indicating the account of deposit and any related cash in transit location information. Any cheques returned to the Province of Nova Scotia require prompt action. Each member of GRE is responsible for collection of funds and any associated appropriate service charges are charged to that member of GRE. Adjustments or corrections for either overpayment or underpayment will be made after the deposit of monies.

All deposits must be verified by two employees. Any deposits containing more than $500 in cash must be transported to a designated chartered bank for deposit by courier service or by at least 2 employees to reduce chances of fraud or robbery.

Policy Guidelines
Deposit notifications should be forwarded to the Department of Finance and Treasury Board, LMTS prior to deposit to a designated Chartered bank. All deposits should be deposited into the correct account at a designated Chartered Bank, as soon as possible, preferably prior to the end of the banking day (3:00 pm) to prevent loss or theft.

Clearing Account reconciliations are to be conducted on a monthly basis 10 business days after month end and made available upon request to the Department of Finance and Treasury Board. Manager, Cash Management Services will forward a list of accounts of those Members of GRE that fail to ensure their accounts are cleared.
and reconciled to the Department of Finance and Treasury Board, Controller and Department of Finance and Treasury Board, Director of Government Accounting annually.

US Dollar deposits requiring refunds due to overpayments are to be refunded in US Dollars if the refund is greater than US$10. Refunds under $10 are to be returned only on request. Refunds are to be processed via the Province of Nova Scotia USD Dollar chequing account.

**Accountability**
Department of Finance and Treasury Board, LMTS is responsible for the management of the General Revenue Fund's operational cash flow, including managing daily banking functions, bank transfers, banking relationships, short term investing and borrowing and short term investments of special funds.

**Monitoring**
Department of Finance and Treasury Board, LMTS will monitor the policy for implementation, performance, and effectiveness.

**References**
Management Manual 200, 9.1 Banking Services Policy
Department of Finance and Treasury Board’s Policy on Trading & Signing Authorities

**Enquiries**
Manager Cash Management Services
Department of Finance and Treasury Board (902) 424-3841

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Approval date: January 22, 2009
Approved by: Executive Council
Effective date: January 22, 2009
Administrative update: April 14, 2015
Chapter 8: Petty Cash and Floats
8.1 Petty Cash Funds

Policy Statement
This policy describes the purpose of a petty cash fund and the procedures to be followed for establishing and operating such a fund.

Policy Objective
To ensure that the procedures for establishing a petty cash fund are available to those who use petty cash funds.

Policy Directives

RESTRICTIONS
• A petty cash fund is to be used for cash transactions not exceeding $50.00 in value, provided such transactions comply with the regulations of the Procurement Branch, Department of Transportation and Infrastructure Renewal.
• A fund may be used only to cover government expenses.
• A fund must not be used to settle expenditures previously committed as credit transactions.
• Salaries may not be paid out of petty cash funds under any circumstances.
• Travel expenses, with the exception of reimbursing employees for taxi fare, may not be paid out of petty cash.

ESTABLISHING A FUND
A department or agency may request a petty cash fund by writing to the Director of Financial Services of their respective department or corporate service unit indicating the reason for the request, the dollar amount of the fund required, and the employee or holder to whom the fund will be assigned. (See Appendix 8-A.) The amount of the fund can vary and will depend on the volume of transactions by the department or agency.

Any change in the employee responsible for the petty cash fund must be reported promptly in writing to the Director of Financial Services of their respective department or corporate service unit. (See Appendix 8-B.) This report should contain a signed statement by the new custodian confirming that he/she has received the funds.
OPERATING A FUND
Funds received by a department or agency will be in the form of a cheque. The cheque will be cashed, and the money received will be kept by the employee or holder in a secure location.

Each March 31, and whenever replenishment is required, the employee responsible for the petty cash fund will complete a Statement of Petty Cash Expenditures (See Appendix 8-C) in accordance with the following instructions:

1. The sum of the total expenditure receipts and cash on hand must be equivalent to the approved fund level.
2. The expenditures listed on the form must have the Details of Expenditure section (date purchased, to whom paid, and item description) properly completed. These details must be accompanied by receipted invoices or other supporting documents in the order of listing.
3. The summary of expenditures must account for all the entries listed in the main section of the form.
4. The Statement of Petty Cash Expenditures must be properly authorized and approved for payment in accordance with the requirements of the Department of Finance. In the case where the custodian of the fund also has signing authority, the document must also be approved by a separate person having authority. Upon completion of the form, forward the original to the Director of Financial Services of your respective department or corporate service unit. Retain one copy for your file.

Departmental or corporate service unit Financial Services staff will replenish the fund by a cheque payable to the custodian for the expenditure reported.

YEAR-END ACCOUNTING PROCEDURE
In accordance with Section 23(2) of the Finance Act:

23 (2) An advance to public servants for which an accounting has not been made at the termination of the fiscal year in which it was made must be accounted for or repaid within such time as may be determined by the Minister in any particular case.

In compliance with the above act, an employee responsible for a petty cash fund may be required to confirm the existence of a petty cash fund and sign a statement certifying the cash position at the end of the fiscal year.
Accountability

Financial Services of the department or corporate service unit is responsible for requisitioning the cheques to establish a fund and to replenish the fund as petty cash statements are processed. The members of the government reporting entity using SAP/CFMS to process payments are responsible for compliance to this policy.

Monitoring

Government Accounting will monitor the policy’s implementation, performance, and effectiveness.

Enquiries

Accounts Payable Processing, Government Accounting
Department of Finance
(902) 424-6626

Appendices

Appendix 8-A Memorandum to Request Establishment of a Petty Cash Fund or Cash Float
Appendix 8-B Notification of Change of Advance Custodian
Appendix 8-C Statement of Petty Cash Expenditures

Approval date: January 9, 2003
Effective date: July 5, 2001
Approved by: Executive Council
Administrative update: October 7, 2010
Appendix 8-A

Memorandum to Request Establishment of a Petty Cash Fund or Cash Float

TO:

FROM:

DATE:

RE: Establish Petty Cash, Cash Float, Operating Fund

The purpose of this memorandum is to confirm that I,______________________, agree to accept responsibility as custodian for a petty cash fund or cash float, in the amount of $ ___________ to be established and assigned to me. My vendor code is _____________. 

If you do not have a vendor code please provide the following information:

Home Address: ___________________________________________
___________________________

Postal Code: ___________________________

SIN: ___________________________

Furthermore, I acknowledge having received a photocopy of the Government of Nova Scotia Manual 200, outlining relevant matters with respect to managing a petty cash fund.

Signature: ___________________________

Print Name: ___________________________

Financial Services

Approved by: ___________________________

Date: ___________________________
Appendix 8-B

Notification of Change of Advance Custodian

TO:

FROM:

SUBJECT: Change of Advance Custodian (Petty Cash, Cash Float Operating)

DATE:

Please change the custodian for the _________________ advance currently held by:

Name:

Vendor Number:

Amount:

Business Area Number:

TO:

Name:

Vendor Number:

Amount:

Business Area Number:

I, the undersigned, certify that I have received the amount indicated.

Signature: ___________________________  Date: ______________________

Financial Services

Approved by:

Date:
### Appendix 8-C

#### Statement of Petty Cash Expenditures

<table>
<thead>
<tr>
<th>Document #</th>
<th>Reference Doc. #</th>
<th>Sample Doc. #</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

- **Cheque Payable to:** (Name and Mailing address)
- **Vendor Account**
  - Vendor Acct #:
  - Suppcode 50000087
- **PETTY CASH FUND:**
  - Expenditures on this Statement
  - Cash on Hand
  - Approved Fund Level

### DETAILS OF EXPENDITURES

<table>
<thead>
<tr>
<th>Date</th>
<th>To Whom Paid And Item Description</th>
<th>Dept Use</th>
<th>Order</th>
<th>Distribution Cost Centre</th>
<th>G/L</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
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</table>

**Total Expenditures**

### Authorization and Approval

I certify that the above expenditures were incurred on Government Business

Custodian  
Date

The above expenditures were authorized by me.

Signed  
Date

Position  
Date

Additions and extensions certified correct

Initialled  
Date

### Summary of Expenditure

<table>
<thead>
<tr>
<th>Distribution Order</th>
<th>Cost Centre</th>
<th>GL Acct</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>HST</td>
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</table>

**Summary Total**
8.2 Cash Floats

Policy Statement
This policy describes the purpose of a cash float and the procedures to be followed for establishing and operating such a float.

Policy Objective
To ensure that the procedures for establishing a cash float are known to those who use cash floats.

Policy Directives

RESTRICTIONS
A cash float will be issued to an employee/department upon receipt of a properly authorized requisition.

The following restrictions will be observed:

• A float is to be used to make change on cash transactions.
• A float may be used only to cover government operations.
• The float may not be used for personal purposes.

ESTABLISHING A FLOAT
A department or agency may request a cash float by writing to the Director of Financial Services of their respective department or corporate service unit indicating the reason for the request, the dollar amount of the float required, and the employee or holder to whom the float will be assigned. (See Appendix 8-A.) The amount of the float can vary and will depend on the volume of transactions by the department or agency.

Any change in the employee responsible for the cash float must be reported promptly in writing to the Director of Financial Services of their respective department or corporate service unit. (See Appendix 8-B.) This report should contain a signed statement by the new custodian confirming that he/she has received the funds.

OPERATING A FLOAT
Funds received by a department or agency will be in the form of a cheque. The cheque will be cashed, and the money received will be kept by the employee or holder in a secure location. Cash floats on hand must be maintained at the amount
of advance issued. Changes must be requested through the Director of Financial Services of the respective department or corporate service unit.

YEAR-END ACCOUNTING PROCEDURE
In accordance with Section 23(2) of the Finance Act:

23 (2) An advance to public servants for which an accounting has not been made at the termination of the fiscal year in which it was made must be accounted for or repaid within such time as may be determined by the Minister in any particular case.

In compliance with the above act, an employee responsible for a petty cash float may be required to confirm existence of the cash float and sign a statement certifying the cash position at the termination of the fiscal year.

At year-end, Government Accounting will review all the cash float accounts in the general ledger. If there is low activity, the department will be contacted to provide support for maintaining the float or to return the float if it is no longer needed.

Accountability
Departments are responsible for requisitioning the cheques to establish a cash float. Departments are responsible for compliance with this policy and maintaining the appropriate balance of cash in their cash float.

Monitoring
Government Accounting will monitor the policy’s implementation, performance, and effectiveness.

Enquiries
Accounts Payable Processing, Government Accounting
Department of Finance
(902) 424-6626

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: July 5, 2001
Administrative update: October 7, 2010
Chapter 9: Banking
9.1 Banking Services Policy

Policy Statement
This Banking Services Policy (the “policy”) has been developed to facilitate centralized control of all bank accounts, banking services, and negotiations of banking contracts associated with the Province of Nova Scotia General Revenue Fund, as defined in the Finance Act. The General Revenue Fund is defined herein to further include any and all Trust Funds and any Special Funds for which the Minister of Finance and Treasury Board is designated as Trustee.

Authority
The source of authority for this policy is the Finance Act, Section 13. The act states

13 (1) All money received by the Minister must be deposited to the credit of the Minister in the General Revenue Fund or the appropriate trust fund.

(2) Except as otherwise provided, where any expenditure of money or incurrence of an expense is authorized by an Act of the Legislature, such expenditure of money or incurrence of an expense may be charged to or made from the General Revenue Fund.

(3) The Minister shall establish accounts with such banks as the Minister designates for the deposit of public money.

The Minister of Finance and Treasury Board has delegated the authority for establishing bank accounts and contracting banking services through the Department of Finance and Treasury Board Policy on Trading and Signing Authorities to the Department of Finance and Treasury Board, Liability Management and Treasury Services (LMTS) Division and the Capital Markets Administration (CMA) Division.

Definitions
PUBLIC MONEY
All money belonging or payable to, or received, collected or held by, for or on behalf of, the Province, and includes revenue of the Government Reporting Entity and money raised on the credit of the Province, but excludes trust funds (Section 2(z) of the Finance Act).
Policy Objectives
The objective of this policy is to ensure that all banking services impacting to the General Revenue Fund are managed centrally to minimize the duplication of banking contracts, bank accounts and banking services and to ensure that banking efficiencies, cash efficiencies and security are maximized throughout the Government Reporting entity.

Application
Department of Finance and Treasury Board, LMTS acts as a facilitator and advisor for the negotiation of all General Revenue Fund banking contracts that involve the creation of bank accounts and other banking and cash management related products and services offered by Chartered Banks. Debit and Credit Card Provider contracts offered by non-Chartered Bank providers for General Revenue Fund monies are also subject to this policy.

Policy Directives
All General Revenue Fund bank arrangements must adhere to the Finance Act and their intended purpose must be effective, useful, efficient, and secure. This policy requires that all banking services and requests for the creation of new bank accounts or banking services are supported by valid business cases.

All banking contracts for the Province of Nova Scotia General Revenue Fund bank accounts are to be facilitated and approved centrally within the Department of Finance and Treasury Board, LMTS.

All Province of Nova Scotia bank accounts will be opened and closed centrally by the Department of Finance and Treasury Board, LMTS to ensure that the number of General Revenue Fund bank accounts is minimized, that the duplication of services is eliminated and that existing bank accounts and banking services are fully utilized. Requests for new bank accounts or services or for any changes in existing bank accounts or services must be forwarded by way of the Banking Request Form (Appendix 9-A) to the Department of Finance and Treasury Board, LMTS. Department of Finance and Treasury Board, LMTS will notify the initiating member of GRE when the request has been completed and, where appropriate, will work with the user to identify any possible alternatives.
Debit or credit card merchant numbers or new debit or credit card terminals or upgrades in such terminals must be facilitated by the Department of Finance and Treasury Board, LMTS. The minimum monthly revenue to the General Revenue Fund must be above $1,000 to warrant the creation of a merchant number or debit or credit card terminal.

Trust Fund bank accounts, for which the Minister of Finance and Treasury Board is Trustee, can only be opened with the authorization of the Minister of Finance and Treasury Board unless the supporting legal authorities specifically require approval by the Governor in Council.

The Deputy Minister of the requesting department may approve the request for the Minister of Finance and Treasury Board’s authorization of the establishment of a Trust fund bank account and the delegation of the required authorities. The Trust Fund Request Form (Appendix 9-B) must be completed prior to the creation of any new Trust Accounts. The Trust Officer, Capital Market Administration (424-5763) is the facilitator for the opening of any Trust Fund and Special fund accounts and will provide the ongoing administration of the Trust Fund or Special Fund.

**Accountability**

Department of Finance and Treasury Board, LMTS is responsible for facilitating each banking contract and for ensuring that all such contracts are reviewed by the appropriate Legal Counsel.

Members of the GRE are responsible for ensuring that all bank functions and services delivered to the Province are compliant with the Freedom of Information and Protection of Privacy Act, the Personal Information International Disclosure Protection Act, and all privacy policies. A Privacy Impact Assessment (Appendix 9-D) will be completed where required. Department of Finance and Treasury Board, LMTS is responsible for the facilitation of any required documentation.

The Department of Finance and Treasury Board, LMTS is responsible for preparing analysis for any banking or other banking related contracts that are subject to review by the Minister of Finance and Treasury Board under Section 77 of the Finance Act or any associated regulations.
Department of Finance and Treasury Board, LMTS is responsible for the timely processing of Banking Request Forms (Appendix 9-A) and for advising the users of alternative banking solutions where appropriate. Province of Nova Scotia users of bank accounts and services are required to initiate and forward the requests as required ensuring the appropriate approvals are received. All banking request forms must be approved by the director of the originating member of GRE.

**Monitoring**
Department of Finance and Treasury Board, LMTS will monitor the policy for implementation, performance, and effectiveness.

**References**
Department of Finance and Treasury Board's Policy on Trading & Signing Authority

**Enquiries**
Manager Cash Management Services
Department of Finance and Treasury Board
(902) 424-3841

**Appendices**
9-A Banking Service Request Form
9-B Internal Trust or Special Fund Request Form
9-C External Trust Fund Request Form
9-D Privacy Impact Assessment Template

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Approval date: **January 22, 2009**  
Approved by: **Executive Council**  
Effective date: **January 22, 2009**  
Administrative update: **April 29, 2015**
Appendix 9-A

Banking Services Request Form

Considerations

• Do you require a Chequing (stand alone) bank account with separate signing authority and cheque writing abilities or will the cheques be issued from the Province of Nova Scotia consolidated Chequing Account?
• If the bank account will be for deposit only and monies deposited are revenues of the General Revenue Fund, a cash-in-transit location ID is all that is required.
• Will the money reposition (funds to flow either directly or via an automated cash transfer from a bank account) into our Province of Nova Scotia General Account? Are the funds that will flow into the accounts trust fund monies?
• Indicate the number of cheques and/or deposit slips required and the forwarding address. (cheques & deposit slips come in bundles of 100)
• Provide the preferred bank and location for the account such as Royal Bank (Royal), Canadian Imperial Bank of Commerce (CIBC), Bank of Montreal (BMO) or Bank of Nova Scotia (BNS).
• Is a Merchant terminal required for deposits? Any office accepting credit/debit card payments will require a Merchant terminal. Is the new/existing terminal location for an existing or new G/L account? Who would be the preferred provider either Moneris/Global/AMEX? Moneris & Global Payment terminals will accept debit, Visa & Master Card payments. If you are accepting American Express payments as well, please select one of Moneris or Global and AMEX.
• Provide contact, telephone number and mailing address for bank statements.
• Is there an existing G/L clearing account for the account transactions or is a new G/L required?
• Signing Officers must provide their titles and addresses if the bank account is a stand alone account and indicate how many of the officers will be signing - minimum number should be two.
Change in Signing Authority:

- Complete Banking Services Request
- Indicate the Bank, Bank Address, Transit and Account number
- Current signing officers are to complete a letter of direction indicating new signing officers, titles and are to provide sample signatures. Original letter with signatures is required to be forwarded to Department of Finance, Liability Management & Treasury Services.
Banking Services Request Form

<table>
<thead>
<tr>
<th>SECTION 1 – Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Department ______________________ Date ____________________________</td>
</tr>
<tr>
<td>Division ______________________</td>
</tr>
<tr>
<td>Address ______________________</td>
</tr>
<tr>
<td>Telephone ______________________ Fax ________________________________</td>
</tr>
<tr>
<td>Authorization __________________</td>
</tr>
<tr>
<td>Title __________________________ Authorized Signature__________________</td>
</tr>
</tbody>
</table>

| SECTION 2 - Banking Information (New or Changes) |
| Account Name __________________________ |
| ☐ New Bank Account Type: ☐ Trust |
| ☐ Existing Bank Account ☐ CIT Location |
| ☐ Deposit Slips/Cheques ☐ Stand Alone Chequing |
| Quantity ______/_______ Attach documentation designating Signing Officers along with the signatures |
| Preferred Bank ☐ Royal ☐ CIBC ☐ BMO ☐ BNS |
| Bank Address __________________________ |
| Statement Contact Name: ____________________________ |
| Statement Contact Phone Number: ____________________________ |
| Statement Mailing Address: ____________________________ |

| SECTION 3 – Debit/Credit Card Service |
| ☐ New Point of Sale Terminal ☐ Existing Point of Sale Terminal |
| Preferred Service Provider ☐ Moneris Solutions ☐ AMEX |
| ☐ Global Payments |
| Statement Contact Name: ____________________________ |
| Statement Contact Phone Number: ____________________________ |
| Statement Mailing Address: ____________________________ |
| Physical Address of Terminal ____________________________ |
| Contact for Terminal Installation ____________________________ |
| Contact Phone number for installation ____________________________ |

| SECTION 4 – Bank Account and Accounting Information |
| Business Area _____ Cost Centre _____ G/L Account _______ Bank Account # _______ Transit _______ |

| SECTION 5 - Signing Officers |
| ☐ Signing Officers Change |

Fax Completed Form to:
Department of Finance and Treasury Board, Liability Management & Treasury Services, 429-0257
Original Letter to be forwarded via Interdepartmental Mail for Signing Officer Change
Letter to Setup or Update Signing Officers

Date

Bank
Main Branch
Halifax Nova Scotia

Dear

Please add/remove (please circle one) the following as the signing officers of the above noted bank account

Name ___________________ ________________________________
Title ___________________ Signature

Name ___________________ ________________________________
Title ___________________ Signature

Name ___________________ ________________________________
Title ___________________ Signature

Name ___________________ ________________________________
Title ___________________ Signature

Thanks for your facilitation with the change in signing officers.

______________________________
Existing Signing Officer

______________________________
Existing Signing Officer
Appendix 9-B

Internal Trust or Special Fund Request Fund Form

TO SET UP AN INTERNAL TRUST OR SPECIAL FUND WITH THE DEPARTMENT OF FINANCE AND TREASURY BOARD (FTB)

Trust Name & No.: ________________________

Please provide the following information &/or documents:  
Tick off / fill in info by FTB

RBC 215—

1. Copy of OIC or equivalent documentation authorizing the establishment of the trust fund.  

2. Extract from the documentation naming Department of Finance as the trustee.  

3. Investment policy guidelines for the trust fund:

| Term: 30 days, 60 days, 90 days, Other: please specify: ________________________________________________ |
| Any additional guidelines:________________________________________________________________________ |

4. Amount & timing of payments to the fund.

Approximate amount of payments: ____________________

Timing of payments: monthly, quarterly, semi-annually, annually, or other: please specify: ____________________

5. Contact name from the department requesting the trust fund for instructions, source of payments, and receipt of withdrawals:

Contact Name: ____________________________________________

Phone: ___________________ Fax: ___________________ E-mail: _______________________________________

6. Amount & timing of withdrawals from the fund.

Approximate amount of withdrawals: ____________________

Timing of withdrawals: monthly, quarterly, semi-annually, annually, or other: please specify: ____________________

7. Set up signing authorities, using the form letter attached, in order for the trustee (Dept of Finance) to know who it can accept instructions from in all matters relating to the trust fund. Also, for setting up signing authorities for withdrawals from the trust fund.

8. Does the department requesting the trust fund, wish to receive Continuity Statements for the trust fund?

If yes, how often? Monthly________ Yearly ________ or Both ________ ?

9. Are there any liability issues? That is, if the trustee invests funds in accordance with the instructions provided, but the amount realized on the due date is insufficient to meet the capital expense on the date—who is liable for the shortfall?

_________________________________________________________________________________________

_________________________________________________________________________________________

10. Is there any disposal instructions for the residual proceeds (if any) when the trust fund is closed?

_________________________________________________________________________________________

_________________________________________________________________________________________

11. This fund can only by co-mingled to save on bank charges? Yes ______ No ______

Purpose: ______________________________________________________________________________________

Principal: _______________________ Start Date: _______________________ Finish Date: _______________________

Note: Please put the attached form letter on your department's letterhead.
Dear Mr. McLellan:

The purpose of this letter is to provide the signing authority for a trust called “___________________________” for which the Department of Finance will act as a trustee. The trust is (is not) a separate and independent from any of the Province’s accounts.

Please find below signing authority with sample signatures.

The signing authority for any instructions related to this trust fund, should be any two of the following:

1. Sample Signature
   __________________________________________
   Name & Title

2. Sample Signature
   __________________________________________
   Name & Title

3. Sample Signature
   __________________________________________
   Name & Title

Thank you for your attention to this matter.

Yours sincerely,

Deputy Minister of originating Department or other Authority

cc Christina Swain
Appendix 9-C

External Trust Fund Request Fund Form

REQUEST AND AUTHORIZATION FORM

DEPARTMENT OF FINANCE AND TREASURY BOARD (FTB) TO SERVE AS INVESTMENT FACILITATOR FOR THE TRUST.

Trust Name: ________________________

Please provide the following information &/or documents: 

Bank Account No. RBC 215— Book Code: ________________________

1. Copy of documentation authorizing the establishment of the independent trust fund. 

2. Extract from the documentation naming Department of Finance as the investment facilitator.

3. Investment policy guidelines for the trust fund:
   - Term: 30 days, 60 days, 90 days, Other: please specify: ________________________
   - Any additional guidelines: _____________________________________________________

4. Amount & timing of payments to the fund:
   - Approximate amount of payments: $ ___ ___ ___ ___ ___
   - Timing of payments: monthly, quarterly, semi-annually, annually, or other: please specify: ________________________

5. Please specify contact name appointed by the trustee, for instructions, source of payments, and receipt of withdrawals/cheques:
   - Contact Name: ________________________
   - Phone: ________________________ Fax: ________________________ E-mail: ________________________

6. Amount & timing of withdrawals from the fund:
   - Approximate amount of withdrawals: $ ___ ___ ___ ___ ___
   - Timing of withdrawals: monthly, quarterly, semi-annually, annually, or other: please specify: ________________________

7. Set up signing authorities, using the form letter attached, in order for the investment facilitator (Dept of Finance) to know who it can accept instructions from in all matters relating to the trust fund. Also, for setting up signing authorities for withdrawals from the trust fund.

8. Please fax an Investment Continuity Statement on a Monthly _______ Quarterly _______ basis to the following contacts:
   - Name: ________________________ Fax: ________________________ E-mail: ________________________

9. Is there any disposal instructions for the residual proceeds (if any) when the trust fund is closed:
   - ____________________________________________________________
   - ____________________________________________________________

10. The trustee has liability for any shortfall of cash including ensuring the trustee has sufficient cash in the bank account to cover outstanding cheques. The Department of Finance and Treasury Board would only be an investment facilitator whereas the trustee would process internally on their own accounting system administrative disbursements and related expenses, Bank Reconciliations, Cash position calculations etc.

   Purpose of this trust: ________________________

   Original Principal for investment: _______ Start Date: _______ Finish Date: _______

   Note: Please put the attached form letter on the trust's letterhead.

Government of Nova Scotia
Date

Mr. George McLellan  
Deputy Minister  
NS Department of Finance and Treasury Board  
PO Box 187  
Halifax, N.S. B3J 2N3

Dear Mr. McLellan:

The purpose of this letter is to provide the signing authority for a trust called “_________________________” for which the Department of Finance and Treasury Board will act as Investment Facilitator. The trust is (is not) a separate and independent from any of the Province’s accounts.

Please find below signing authority with sample signatures.

The signing authority for any instructions related to this trust fund, should be any two of the following:

1. Sample Signature
   ________________________________
   Name & Title

2. Sample Signature
   ________________________________
   Name & Title

3. Sample Signature
   ________________________________
   Name & Title

Thank you for your attention to this matter.

Yours sincerely,

Deputy Minister of originating Department or other Authority

cc Christina Swain
Appendix 9-D

Privacy Impact Assessment Template

Nova Scotia

Note: Attach supporting documentation as necessary

1. Introduction
   a) Name of program or service
   b) Name of department, branch and program area
   c) Name of program or service representative
   d) Key program or service dates

2. Description (This section will identify the scope of this change)
   a) Summary of the new program or service or the change
      i. General description
      ii. Purposes, goals and objectives
      iii. The need
   b) The intended scope
   c) Conceptual technical architecture
   d) Description of information flow (include text and diagram)

3. Collection, use and disclosure of personal Information
   a) Authority for the Collection, Use and Disclosure of Personal Information
   b) List of Personal Information to be Collected, Used and/or Disclosed and the Rationale for each.
   c) The Sources and Accuracy of the Personal Information
   d) The Location of the Personal Information
   e) The Retention Schedule and Method of Destruction or De-identification for Personal Information
   f) Identification of Consent Issues
   g) Users of Personal Information
4. Access rights for individuals to their personal information

5. Privacy standards: concerns and security measures
   a) Security safeguards
      i. Administrative safeguards
      ii. Basic technical safeguards
      iii. Auditing
   b) Methods for avoidance of unintentional disclosure

6. Compliance with Personal Information International Disclosure Protection Act

7. Conclusions
   a) An Assessment of the Impact on Privacy, Confidentiality and Security of Personal Information as a Result of the New Program or Service or Change
   b) Strategy for Mitigation of Privacy Risks, if any
   c) Additional Comments

COMPLETED BY:

[name] Program/Service Representative  Date

REVIEWED BY:

[name] Department Privacy Lead  Date

RECOMMENDED BY:

[name] Executive Management  Date

APPROVED BY:

[name], Deputy Minister  Date
Chapter 10: Government Credit Cards
10.1 Fleet Card

Policy Objective
The Department of Finance will make available a corporate Fleet Credit Card. These cards are issued to departments for the purchase of fuel, minor repairs, tires, tolls, ferries and parking while using government owned or leased vehicles.

Responsibilities
GOVERNMENT ACCOUNTING
• Approving Fleet Card application forms, including monthly credit limits
• Providing departments with Corporate Fleet Card Policy and Fleet Card usage procedures
• Advising departments in the use of Fleet Cards
• Ensuring Budget Managers and Fleet Coordinators are aware of and are adhering to the Procurement Policy, Cardholder Agreement, and Fleet Card Best Practices Manual
• Following Departmental and Corporate Policies and Procedures when faced with misuse of the Fleet Card, such as unauthorized purchases
• Ensuring the Fleet Program is monitored and audited by reviewing transactions to policies and documenting action taken as needed

FINANCIAL SERVICES
• Establishing and communicating department specific procedures to Budget Managers, Fleet Card Coordinator and cardholders
• Establishing control procedures to ensure that appropriate authorization and payment processes are being adhered to
• Establishing and communicating deadlines for submitting reconciled statements and transaction log to meet Government Accounting’s deadline

BUDGET MANAGER
• Approving requests for Fleet Cards
• Setting monthly Fleet Card limits for each application based on anticipated usage to minimize liability if lost or stolen
• Signing and adhering to Cardholder Agreement
• Forwarding original, fully completed applications to Government Accounting
• Following Departmental procedures for signing authority for Fleet Cards
• Adhering to Procurement and Fleet Card policies
• Reviewing monthly Fleet Card transaction log and approve for processing, forward to Financial Services
• Following Departmental and Corporate Policies and Procedures when faced with misuse of the Fleet Card, such as unauthorized purchases

**FLEET CARD COORDINATOR AND ALTERNATE**
• Supporting cardholders as their first point of contact
• Being knowledgeable in Fleet Card and other applicable policies
• Forwarding original, fully completed applications to Budget Manager
• Advising cardholders in the use of Fleet Cards
• Ensuring the safe keeping of Fleet Cards issued to the government leased or owned vehicle
• Ensuring receipt of monthly e-statement
• Providing cardholder with Cardholder Agreement, Fleet Card Policy, Transaction Log, and department processes
• Reviewing the statements, receipts, and transaction logs to ensure they have been reconciled and approved, detailed receipts are attached and tax has been properly recorded. Take corrective action if required
• Refer to the Fleet Card Best Practices Manual for additional guidance

**CARDHOLDER**
• Safekeeping of the Fleet Card issued to the government leased or owned vehicle
• Following the Fleet Card and Procurement policies
• Obtaining a detailed receipt or e-mail confirmation at time of purchase
• Completing and reconciling Fleet Card Transaction log, ensuring tax is recorded correctly
• Ensuring receipt of monthly e-statement
• Following accounting processes and deadlines as set by your Financial Services group
• Reporting lost or stolen Fleet Card to the card coordinator immediately and notify Government Accounting
• Following the Fleet Card Best Practices Manual for additional guidance
**Application**

Budget Manager must approve Fleet Card applications. Each Fleet Card is given a monthly purchase limit based on expected monthly usage.

**Policy Directives**

**USAGE**

Only authorized personnel are entitled to use the Fleet Card and are responsible for retaining receipts for purchases. The Fleet Card is provided based upon the need to purchase fuel, minor repairs, tires, tolls, ferries and parking while using government owned or leased vehicles in the course of employment with the Province. The Fleet Card may be revoked at any time based on a change of assignment or location. The Fleet Card is not an entitlement nor is it reflective of your title or position.

Any unauthorized use of the Fleet Card will be considered an improper use of government funds and will be subject to appropriate disciplinary action.

**STATEMENTS**

Statements are emailed to assigned personnel (no hard copies are produced). Assigned personnel can view transactions online and print statements from <http://iweb.gov.ns.ca> by clicking on the path as follows:

Finance > Government Accounting > Corporate Credit Cards > Cardholder Training Guide

To obtain ID and link to Scotiabank Web Site, go to <https://pwnet.procard.com/pns>.

**PURCHASING PROCEDURES**

Authorized personnel may obtain goods or services from a single source in the local area provided the price is considered fair and reasonable. The Fleet Card is for business-related purchases only. Any use of the Fleet Card for purchases of a personal nature is strictly prohibited.

**RESTRICTIONS**

A Fleet Card cannot be used to acquire the following:

- Personal purchases
- Travel Expenses including meals and accommodations, etc. (use Travel Card)
DISPUTE PROCESS
Budget Manager or Cardholder will advise their Card Coordinators of any charges on the statements which are incorrect. For a detailed dispute process, refer to the Fleet Card Best Practices Manual.

LOST OR STOLEN CARDS
Budget Manager or Cardholder must notify their Fleet Card Coordinator and Government Accounting immediately if their card is lost or stolen.

POST AUDIT
Government Accounting will monitor Fleet Card use to ensure compliance with department and corporate policy. This includes conducting a monthly post audit of Cardholder purchases and maintaining a record of the audit for future review. Where seemingly inappropriate card usage has occurred, a letter will be forwarded to the Cardholder and their Budget Manager informing them of the breach in policy and any further misuse will result in Fleet card privileges being revoked.

AUDITS
Procurement Branch, Government Accounting, Internal Audit Centre and/or the Office of the Auditor General may carry out audits of any transaction regardless of value.

Enquiries
Director, Operational Accounting
Government Accounting
Department of Finance
(902) 424-6626

Approval date: September 1995
Effective date: August 21, 2008
Approved by: Department of Finance
Administrative update: June 10, 2013
10.2 Purchase Card Policy (PCard)

Policy Statement
It is the policy of the Province of Nova Scotia to offer a corporate Purchase Card Program as a means of making certain purchases.

Objective
The objective is to establish a policy to maximize purchasing and payment efficiencies through the use of corporate procurement credit cards (PCards). The PCard is intended to provide a simplified purchasing and payment tool for the acquisition of goods, services and construction directly from suppliers in accordance with the provincial procurement policy.

Responsibilities

OPERATIONAL ACCOUNTING
• Approving PCard application forms, including monthly credit limits
• Providing cardholder with Cardholder Agreement, Corporate Procurement Card (PCard) Policy, Transaction Log, and PCard usage procedures
• Advising cardholders in the use of PCards
• Ensuring Budget Managers are aware of and are adhering to the Procurement Policy, Cardholder Agreement, and PCard Best Practices Manual
• Following Departmental and Corporate Policies and Procedures when faced with misuse of the PCard, such as unauthorized purchases
• Ensuring the PCard Program is monitored and audited by reviewing transactions to policies and documenting action taken as needed

FINANCIAL SERVICES
• Establishing and communicating deadlines for submitting reconciled transaction logs to meet posting deadline set by Operational Accounting
• Reviewing monthly statements, attached receipts, and transaction logs to ensure compliance with Provincial policies and procedures
• Following Departmental procedures for signing authority for PCards
• Following Departmental and Corporate Policies and Procedures when faced with misuse of the PCard, such as unauthorized purchases
• Contact Cardholder and Budget Manager for non-compliance, documenting action taken as needed
• Refer to the PCard Best Practices Manual for additional guidance
BUDGET MANAGER
- Approving requests for PCards
- Setting monthly PCard limits for each application based on anticipated usage to minimize liability if lost or stolen
- Forwarding original, fully completed applications to Operational Accounting
- Establishing control procedures to ensure adherence to appropriate authorization and purchasing practices
- Adhering to the Procurement and PCard Policies
- Reviewing monthly transaction logs ensuring statements and receipts are valid and attached, ensuring compliance with Provincial policies and procedures before approving
- Following Departmental and Corporate Policies and Procedures when faced with misuse of the PCard, such as unauthorized purchases

CARDHOLDER
- Signing and adhering to Cardholder Agreement
- Safekeeping of the PCard
- Following PCard and Procurement Policies
- Obtaining a detailed receipt or e-mail confirmation at time of purchase
- Ensuring receipt of monthly e-statement
- Completing, reconciling and submitting monthly PCard Transaction log to your Budget Manager for review and approval
- Following accounting processes and deadlines as set by your Financial Services group
- Reporting lost or stolen PCard immediately to the card provider and notify Operational Accounting
- Following the PCard Best Practices Manual for additional guidance

CARDHOLDER DESIGNATE
Given that the Fleet Card cannot be used to buy fuel for provincial planes or helicopters, a PCard may be requested for such purpose. The PCard will be issued in the Serial number of the vehicle. The issuing department accepts the role and responsibilities of Cardholder upon requesting such a card.

Application
Cardholders must complete a PCard application. Each PCard is given a monthly purchase limit based on expected monthly usage.
Chapter 10: Government Credit Cards
10.2 Purchase Card Policy (PCard)

Usage
The Cardholder is the only person entitled to use their PCard and is responsible for all charges made against it. The PCard is provided based upon the need to purchase business-related goods, services and construction in the course of employment with the Province. The PCard may be revoked at any time based on a cardholder’s change of assignment or location. The PCard is not an entitlement nor is it reflective of your title or position. Any unauthorized use of the PCard will be considered an improper use of government funds and will be subject to appropriate disciplinary action.

A PCard issued to buy fuel for provincial planes and helicopters may be used for that purpose only.

Statements
Statements are e-mailed to the Cardholder (no hard copies are produced). Cardholder can view online transactions and print statements from <http://iweb.gov.ns.ca> by clicking on the path as follows:

Finance>Government Accounting>Corporate Credit Cards>Cardholder Training Guide

To obtain ID and link to Scotiabank Web Site, go to <https://pwnet.procard.com/pns>.

Purchasing Procedures
Departments may obtain goods, services or construction from a single source in the local area provided the price is considered fair and reasonable. The PCard is for business-related purchases only. Any use of the PCard for purchases of a personal nature is strictly prohibited.

Restrictions
A PCard cannot be used to acquire the following:

- Travel expenses including meals, accommodations, parking, etc. (use Travel Card)
- Gasoline for Provincial Fleet Vehicles (use Fleet Card; note that Fleet does not include lawn mowers, All Terrain Vehicles, snowmobiles, planes or helicopters)

Any use of the PCard for purchases of a personal nature is strictly prohibited.

The use of multiple transactions to circumvent the single purchase limit is a violation of PCard policies and procedures.
Dispute Process
Cardholders will advise their Card Coordinators of any charges on their statements which are incorrect. For a detailed dispute resolution process, refer to the PCard Best Practices Manual.

Lost or Stolen Cards
Cardholders must notify the PCard financial institution and Operational Accounting immediately if their card is lost or stolen.

Post Audit
Operational Accounting will monitor PCard use to ensure compliance with department and corporate policy. This includes conducting a monthly post audit of Cardholder purchases and maintaining a record of the audit for future review. Where seemingly inappropriate card usage has occurred, a letter will be forwarded to the Cardholder and their Budget Manager informing them of the breach in policy and any further misuse will result in card privileges being revoked.

Audits
Procurement, Operational Accounting, Internal Audit Centre and/or the Office of the Auditor General may carry out audits of any transaction regardless of value.

Enquiries
Director, Operational Accounting
Department of Internal Services
(902) 424-6626

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: August 21, 2008
Administrative update: November 10, 2014
10.3 Travel Card

Under development.
10.4 Credit Card Fees

Under development.
Chapter 11: Accounts Receivable Management
11.1 Accounts Receivable

Policy Statement
This policy sets government-wide standards for accounts receivable (AR) management and creates a framework that can be used to establish procedures for individual departments.

Policy Objective
The goal of the policy is to establish a framework of procedures that are consistent across all government departments yet flexible enough to cover a variety of situations in the most efficient and effective manner possible to improve the cash flow of the province. Timely and accurate billing and collection is an important way to generate a significant cash flow. Optimum cash management requires good AR management.

Application
This policy focuses on invoicing and collection of general AR owing to the province by internal and external customers.

Policy Directives

CUSTOMER MASTER FILE RECORDS
Customer master file records will be maintained by each department. Customer master files for SAP AR will be maintained by Operational Accounting, Department of Internal Services.

NATURE OF ACCOUNTS RECEIVABLE
Departmental AR balances vary by dollar value and volume, depending on the nature and fee structure of the department’s billable programs.

APPLICATION OF PAYMENTS
Cash receipts may include payment for numerous invoices and may be partial payments of a particular invoice. Some cash receipts are received in error. Payments will be applied to the particular invoice to which they relate, even if payment is not the same amount as the invoice total. This will leave disputed or unpaid invoices as outstanding on the customer’s account for further follow-up and collection efforts.
SEGREGATION OF DUTIES
For internal control purposes, staff who are responsible for the management/collection of AR must not handle or be responsible for the processing of receipts.

REFUNDS
Payments received in error or paid in excess of the invoice total by more than $2 will be refunded to the payer. No refund will be made if other invoices are outstanding on the customer’s account, and attempts should be made to negotiate with the customer to apply any excess payments to other outstanding invoices.

COLLECTION PROCEDURES
Every department, board, and agency of the province must establish collection procedures, taking into consideration the dollar amount of outstanding accounts receivable. More effort and cost of collecting AR is warranted for higher dollar value AR.

Billing
Invoices will be prepared on a timely basis to permit recording of revenue/recoveries and generation of cash flows. Customers expect timely billing.

Statements
Departments may send follow-up statements of outstanding AR to customers.

Phone calls
Departments may follow up on outstanding AR by phone calls to customers.

Dunning letters (Collection Letters)
Where the age and amount of an outstanding AR warrants it, departments may send collection letters to customers with increasingly urgent messages and details of outcomes if payment is not received.

Assignment of Overdue Accounts
In general, AR in arrears for a period of ninety (90) days or more must be submitted to the Collections Services Unit of the Office of Service Nova Scotia for collection purposes. Refer to Chapter 11.5 Corporate Collection Policy for detailed information.
ACCOUNTING AND REPORTING PROCEDURES

Balancing of accounts receivable
AR sub-ledger systems or manual lists must be balanced to the corresponding general ledger accounts, with errors corrected on a monthly basis. SAP-AR sub-ledgers are balanced by Operational Accounting.

Aging reports of accounts receivable
AR aging reports, where available, must be produced and reviewed on a timely basis.

Report to Deputy Ministers
Large past-due AR should be reported, on a regular basis, to the Deputy Minister with recommendations for further collection steps.

Returned cheque charge
Unless governed by other fee structures and policies, a department may charge the customer’s account an NSF fee for each returned cheque at a rate that is applicable at the time of the cheque return. (Refer to Chapter 11.2 Returned Cheques.)

Annual review of balances
Each year, prior to year end, all AR must be reviewed in preparation for the audit and to assess the adequacy of the allowance for doubtful accounts. Each year, in the fall, assessments must be done to determine the need to write off any accounts. (Refer to Chapter 11.3 Bad Debt Write Off Procedures).

DISCRETIONARY CREDIT
All departments, boards, and agencies advancing discretionary credit must establish credit risk-assessment policies. Information to consider includes past credit history with other government departments, the nature of the business, the type and amount of credit, and the ability of the customer to repay. Credit-granting criteria should be reviewed by departments on a regular basis, based on the volume and age of unpaid accounts receivable.

INTERNAL ACCOUNTS RECEIVABLE/PAYABLE
At least annually, departments must reconcile their interdepartmental accounts receivable/payable with other departments. Departments must resolve and correct any differences by year end.
Chapter 11: Accounts Receivable Management

11.1 Accounts Receivable

Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Approval date: July 31, 2008
Approved by: Executive Council

Effective date: July 5, 2001
Administrative update: May 30, 2016
11.2 Returned Cheques

Policy Statement
It is the policy of the Province of Nova Scotia to record returned cheques on a timely basis and to follow up with the payer for appropriate action.

Policy Objective
The purpose of this policy is to ensure that returned cheques are identified on a timely basis to permit appropriate follow up with the payer. Recording returned cheques also supports the bank reconciliation function.

The Operational Accounting Division of the Department of Internal Services will monitor this account (143101) on a regular basis to ensure proper clearing and to advise departments of any discrepancies found.

Application
This policy applies to the province’s bank account users who deposit cheques for credit to various accounts recorded in the province’s SAP system.

Policy Directive
When cheques are returned by the bank, the Capital Markets Administration division of the Department of Finance and Treasury Board will debit the NSF Clearing Account (143101) using the business area code for the department that deposited the cheque.

Each government department is responsible for clearing this NSF clearing account on a monthly basis to the appropriate recovery, revenue, or receivable accounts.

Accountability
Capital Markets Administration and departments are jointly responsible for the recording and clearing of returned cheques.

Enquiries
Capital Markets Administration
Department of Finance and Treasury Board
(902) 424-3636 or (902) 424-7635
<table>
<thead>
<tr>
<th>Approval date:</th>
<th>January 9, 2003</th>
<th>Effective date:</th>
<th>July 5, 2001</th>
</tr>
</thead>
</table>

Chapter 11: Accounts Receivable Management
11.2 Returned Cheques
11.3 Bad Debts and Write Offs

Policy Statement
Departments are responsible for analysing their outstanding accounts receivable and recording bad debts expense for accounts deemed doubtful or uncollectible. Annually, departments will request the write off of uncollectible accounts.

Authority
The source of authority for this policy is the Finance Act, Section 24(1). The act states that

24(1) Where a person has an obligation or debt due to the Province or the Province has a claim against a person, the Governor in Council may, subject to any other Act affecting such obligation, debt, or claim, direct the Minister to negotiate and accept a settlement in payment and satisfaction of such obligation, debt, or claim, or to determine that any such obligation, debt, or claim is not collectable, write off any loss incurred in any such settlement or determination and charge it to the General Revenue Fund.

The word “Minister” as used in section 24(1) of the act refers to the Minister of Finance and Treasury Board.

Policy Objectives
This policy explains the procedures and forms associated with the recording of bad debts expense. The objective is to ensure timely and accurate recording of bad debts expense in the period in which the debt can be reasonably determined as uncollectible. Annual requests for bad debts write offs will keep the financial records current with truly collectible amounts.

Application
This policy applies to all members of the province’s budgetary process.

Accountability
Departments are responsible to ensure that bad debts expense are recorded in their accounts properly and in a timely manner, compliant with this policy.
Procedure for Recording Bad Debts Expense

CALCULATE ALLOWANCE FOR DOUBTFUL ACCOUNTS
1. Review the aged accounts receivable listing for balances that are specifically identifiable as credit risks or uncollectible. These balances should become part of the allowance amount.

2. For the remaining balances, estimate any additional allowances required. Use professional judgment to assign a collectibility factor, for example:
   • percentage of total balances older than a certain number of days, e.g., 20 per cent of balances over 120 days
   • percentage of outstanding balances of certain customer types who have been higher credit risks
   • percentage of outstanding balances of certain types of revenue that have been collection problems in the past
   • other methods relevant to the department’s business cycle or customers.

DOCUMENTATION
3. Documentation held on file at the departments should support the balance in the allowance for doubtful accounts. This documentation should include support as to the methods implemented by departments to collect the receivable and the reason(s) why it may be uncollectible, or, in the case of Step 2 above, any supporting analysis and calculations as illustrated in Appendix 11-A.

ADJUST GENERAL LEDGER
4. Prepare a total of the revised allowance amounts and compare it with the general ledger allowance account balance. During the year, if the difference is small, no adjustment is required. The general ledger allowance account balance should be up to date, especially at year end, and be supported with sufficient documentation for audit purposes. Adjust allowance and bad debt expense accounts in the general ledger as illustrated in Appendix 11-B. Do not reverse or cancel any accounts receivable at this point.

WRITE-OFF OF ACCOUNTS RECEIVABLE
5. Review outstanding amounts in the allowance. Identify accounts that are truly uncollectible and should be written off. Prepare the Write Off Submission template and letter for the Minister’s approval and send it to the Department of Finance and Treasury Board in accordance with the form shown in Appendix 11-C and Appendix 11-D.
On the Submission template you should indicate the method(s) taken to collect the receivable and the reason(s) why it is uncollectible.

Send an electronic copy of the Submission template to the Executive Director, Government Accounting for use in preparing a consolidated file of write off data for submission to Executive Council for formal approval.

6. Only after approval is granted by Order-in-Council are departments permitted to reduce accounts receivable ledgers for the write off submitted. Government Accounting will notify departments when approval has been granted and confirm the amount of the write offs approved. Then each department may write off their accounts with a debit to the allowance account and a credit to the accounts receivable records (see Appendix 11-B.)

RECOVERY OF BAD DEBTS

7. Payments received on accounts in the allowance should be applied to reduce the accounts receivable balance and the allowance should be reduced accordingly. If the account is officially written off, the payment should be recorded to a prior years’ recoveries account (see Appendix 11-B.)

Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Appendices
Appendix 11-A Documentation: Example of Allowance for Doubtful Accounts Calculation and General Ledger Reconciliation
Appendix 11-B Journal Entries to Adjust Allowance Account
Appendix 11-C Write Off Submission Template
Appendix 11-D Ministerial Approval Letter

Approval date: July 31, 2008
Approved by: Executive Council

Effective date: August 21, 2008
Administrative update: May 30, 2016
Appendix 11-A

Documentation

Example: Allowance for Doubtful Accounts Calculation and General Ledger Reconciliation

<table>
<thead>
<tr>
<th>Province of Nova Scotia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowance for Doubtful Accounts</td>
</tr>
<tr>
<td>Department of ____________________________</td>
</tr>
<tr>
<td>September 30, 2016</td>
</tr>
</tbody>
</table>

**Specific Accounts**

1) ACB Company $100
2) XYZ Incorporated 700
3) Joe Joyce Metals Ltd. 45
4) Payless Grinch Co. 1,201 $2,046

**% Allowance on Remaining A/Cs**

- Over 120 days $8,102 x 5% = 405
- Over 180 days $10,075 x 10% = 1,008
- Over 365 days $4,776 x 40% = 1,910 $3,323

Total Allowance Required $5,369

Balance per Allowance Account $4,200

Increase <Decrease> Required $1,169 (increase in allowance needed)

This reconciliation helps support any required adjustment amount. If the general ledger is approximately equal to calculated allowance, no adjustment is required until year end.
Appendix 11-B

Journal Entries to Adjust Allowance Account

1. To increase allowance:  
   Debit: Bad Debt Expense  
   Credit: Allowance  
   (JV prepared by department)

2. To decrease allowance:  
   Debit: Allowance  
   Credit: Bad Debt Expense  
   (JV prepared by department)

3. To record approved write offs:  
   When the OIC is obtained, departments remove the approved write-offs from the accounts receivable and allowance. Some AR subledgers, the SAP module for example, contain functions that write off the AR balances and update the AR and allowance accounts. No manual journal entries are required in this case. If the AR subledger being used does not interface and update the SAP GL, the department should record the following journal entry for accounts written off:
   Debit: Allowance  
   Credit: Accounts Receivable  
   (JV prepared by department)

4. When account is paid by customer after write-off:  
   Debit: Cash in Transit  
   Credit: Prior Year Recoveries  
   (JV prepared by department)

GL Accounts

Most departments:

- 137100 Allowance for Doubtful Accounts
- 823100 Bad Debts Expense
- 535100 Prior Year Recoveries

Other allowance accounts are:

- 170164 Allowance for Doubtful Accounts - (1200) Agriculture - Farm Loan Board
- 170184 Allowance for Doubtful Accounts - (8500) Fisheries and Aquaculture Loan Board
- 170224 Allowance for Doubtful Accounts - (8700) IDA
- 170234 Allowance for Doubtful Accounts - (8700) Venture
Appendix 11-C

Write Offs Submission Template

<table>
<thead>
<tr>
<th>Name</th>
<th>Line #</th>
<th>Amount</th>
<th>Included in prior year end</th>
<th>Nature of Debt</th>
<th>Date Incurred</th>
<th>Measures Taken</th>
<th>Reason Uncollectible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr. John Smith</td>
<td>1</td>
<td>$50.00</td>
<td>Yes</td>
<td>Fee owing from NS resident</td>
<td>1-Nov-2013</td>
<td>Phone Calls, Invoices, Statements,</td>
<td>Citizen is deceased &amp; department does not recover from estates.</td>
</tr>
</tbody>
</table>

Steps to complete the Write Offs Submission Template:
1. Enter the most recent fiscal year end in the header
2. Enter the name of the Department/Public Service Entity
3. Complete one line per write off submission
   - Name: Enter the name or Group Category for the submission
   - Line: Cross Reference any back up provided to the Line #, enter more if needed
   - Amount: Enter the Gross amount for that name or group category
   - Included in prior years Y/E Allowance: Choose Yes or No (if No, please explain why)
   - Nature of Debt: Enter a brief description of the debt
   - Date Incurred: Enter the date the debt was incurred
   - Measures Taken: Enter the measures taken to collect the debt (examples):
     - Direct Contact: Phone Calls, Emails, Invoices, Statements
     - Legal Proceedings
     - Legal Settlement
     - Referred to Collections
     - Skip Tracing
     - Cancel, Suspend Service
   - Reason Uncollectible (examples):
     - Citizen is deceased
     - Company is bankrupt
     - Residual balance after settlement
     - Customer location unknown
     - Company closed
     - Efforts to collect are documented but were unsuccessful
     - Sold property but proceeds were insufficient
     - No supporting Documentation to support amount owed
     - Account is old and immaterial
4. Print out the Write Offs Submission Template and attach a signed Ministerial Approval Cover Letter (Appendix 11-D).
5. Send the completed template and letter to Minister of Finance and Treasury Board by October 31.
6. Send an electronic copy of the Write Offs Submission Template to Executive Director, Government Accounting by October 31.
Appendix 11-D

Ministerial Approval Letter

Department Letter Head

The Honourable XXXX XXXXX
Minister of Finance and Treasury Board
7th Floor, Provincial Building
1723 Hollis Street
Halifax, N.S.
B3J 2N3

Dear Minister:

Re. Accounts to be Written Off

Pursuant to Section 23 of The Finance Act, the Department of XXXX requests that the attached accounts be written out of records for the fiscal year ending March 31, 20XX. The total value of the write off is $XX.XX and is supported by the submission attached.

We would also confirm that these uncollected accounts have been included in the allowance for doubtful accounts at the most recent year end.

Yours truly,

XXXX, Minister
Department of XXXX

Encls.
11.4 Central Billing Services

Under development.
11.5 Corporate Collection Policy

Rationale
The Finance Act and the Public Service Act provide legislative authority for a corporate policy for the collection of outstanding accounts receivable for designated programs by Service Nova Scotia and Municipal Relations (SNSMR). The development of a corporate collection policy supported by the legislative amendments will provide a consistent use of collection tools, procedures and standards to ensure accounts receivable are managed in an efficient, effective, timely and consistent manner resulting in improved recovery rates. A centralized professional collection unit is able to devote a more focused approach to recovery action.

Policy Statement
In order to maximize recoveries of outstanding accounts receivable owed to the Province, it is necessary to implement a new Corporate Collection Policy. The assignment of overdue accounts to SNSMR will provide departments and governmental units with an effective collection strategy. All government departments and governmental units must be held accountable for using all available tools to collect outstanding debts. With this policy and supporting legislation, departments and governmental units will have an opportunity to leverage the centralized collection services of SNSMR. The policy shall be administered under the following principles:

PERSONAL PRIVACY
The policy shall be applied in a manner which will be considerate and protective of the personal privacy of individuals in a manner consistent with the Freedom of Information and Protection of Privacy Act (FOIPOP).

COMPENSATION
SNSMR shall be compensated for its collection services at the following rates:

<table>
<thead>
<tr>
<th>Accounts Collected Within:</th>
<th>0-90 days</th>
<th>10% of payment collected</th>
</tr>
</thead>
<tbody>
<tr>
<td>91-120 days</td>
<td>15% of payment collected</td>
<td></td>
</tr>
<tr>
<td>121 + days</td>
<td>20% of payment collected</td>
<td></td>
</tr>
</tbody>
</table>
There will not be any charges if there is no money collected on behalf of the client department.

**TRANSPARENCY**
This policy shall be made readily available to the public.

**Definition**

**GOVERNMENTAL UNITS**
Those entities categorized as government units from time to time by the Minister and set out annually in the consolidated financial statements of the Province.

**Policy Objectives**
The objectives of this policy are:

- define procedures and rules for the designation of programs and assignment of accounts with a delinquency of ninety (90) days or greater to Service Nova Scotia and Municipal Relations (SNSMR) for collection purposes
- outline the procedural requirements for collection activity
- ensure the process is manageable within current budget allocations
- increase accountability of all departments and governmental units by transferring like activities in accounts receivable management and collection to a centralized and expert workforce
- maximize revenue recoveries for the Province of Nova Scotia

**Application**
This policy applies to all departments and governmental units. Clause 68 (la) of the Public Service Act has provided authority for this policy. Debts due to the Province under programs that have been designated by the Minister of Finance and that have accounts receivable that are in arrears for a period of ninety (90) days or more must be submitted to SNSMR for collection purposes.

**Accountability**
The Minister of Finance is accountable to maximize the recovery of outstanding debt to the Province. SNSMR, departments and governmental units are jointly responsible for the transferring and collecting of accounts.
The deputy ministers of government departments or heads of governmental units are responsible for ensuring conformity with this policy. This responsibility may be delegated to members of Senior Financial Executive Forum or other senior financial staff.

Monitoring
The implementation, performance, and effectiveness of the policy will be monitored by the Collection Unit of SNSMR who will do so on behalf of the Department of Finance and who will report back to the Minister of Finance.

Directives
- On a periodic basis, as required by SNSMR, all departments and governmental units must review their programs and complete a template (Appendix 11-D) that indicates the programs that have receivables that are ninety (90) days or more past due and indicate which of these programs they wish to designate for assignment to SNSMR and also provide reasons for not recommending the designation of a program.
- The template referred to above is to be sent to the Collection Unit of SNSMR who will in turn forward a recommendation to the Department of Finance for review and approval as appropriate. Following this review, the Minister of Finance will issue a letter to a department or governmental unit with a copy to SNSMR designating such programs as he deems necessary.
- For all designated programs, departments and governmental units must transfer debts due the Province to SNSMR when an outstanding accounts receivable becomes ninety (90) days past due or such other time period as the Minister of Finance sets.
- SNSMR Collection Unit will utilize all professional collection tools available for recovery of outstanding debt, with input from the Departments.

Guidelines
The professional collection practices and rules of conduct that are applied to private industry are to be followed by staff unless there is legislative authority that grants government specific privileges in the collection of debts (i.e., FOIPOP). (See Appendix 11-E).

If a debtor requires in depth information concerning the debt, or wishes to dispute the debt, interaction with the initiating department or governmental unit will take place.
• If legal action is required, it will be initiated in consultation with the initiating department or governmental unit, and at the expense of the initiating department or governmental unit.
• Reports will be provided monthly to the originating departments detailing recoveries.
• All debtors will be treated with respect, and be required to pay in accordance with their current financial ability.
• SNSMR professional collection team will be diligent and consistently demonstrate a businesslike and helpful attitude, always ensuring that no unreasonable demand is made to the debtor.

References
The following legislation is related directly to the Corporate Collection Policy:

Sections 15(1), (2) & (3) of the Finance Act (see Appendix 11-F)
Section 68(1a) of the Public Service Act (see Appendix 11-G)

The use and disclosure of personal information by departments and governmental units is subject to the Freedom of Information and the Protection of Privacy Act, in particular the following Sections should be noted in Appendix 11-E, Sections 20, 21, 24, 26, and 28.

Enquiries
SNSMR Collection Services Unit
(902) 424-6711

Appendices
Appendix 11-D Program Profile for review of programs
Appendix 11-E Sections 20, 21, 24, 26, 27 and 28 of the FOIPOP Act
Appendix 11-F Sections 15(1), (2) and (3) of the Finance Act
Appendix 11-G Section 68 (1a) of the Public Service Act

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: December 15, 2005
Administrative update: October 7, 2010
Appendix 11-D

Corporate Collection Policy

Program Profile

Department: ______________________________________________________

Program area: ______________________________________________________

Program Owner: _______________________ Telephone No._______________

Description of Debt:________________________________________________

Total outstanding program receivables, dollar ($) amount _________

Total number (#) of outstanding debtors ______________________

Total dollars 90 (ninety) days or more _____________________

Total number of accounts 90 (ninety) days or more ____________

Recommend Designation Yes________ No________

If seeking exemption from designation, please provide rationale.
Appendix 11-E

Freedom of Information and Protection of Privacy Act

CHAPTER 5
OF THE
ACTS OF 1993

Personal information

20 (1) The head of a public body shall refuse to disclose personal information to an applicant if the disclosure would be an unreasonable invasion of a third party’s personal privacy.

(2) In determining pursuant to Subsection (1) or (3) whether a disclosure of personal information constitutes an unreasonable invasion of a third party’s personal privacy, the head of a public body shall consider all the relevant circumstances, including whether

(a) the disclosure is desirable for the purpose of subjecting the activities of the Government of Nova Scotia or a public body to public scrutiny;

(b) the disclosure is likely to promote public health and safety or to promote the protection of the environment;

(c) the personal information is relevant to a fair determination of the applicant’s rights;

(d) the disclosure will assist in researching the claims, disputes or grievances of aboriginal people;

(e) the third party will be exposed unfairly to financial or other harm;

(f) the personal information has been supplied in confidence;

(g) the personal information is likely to be inaccurate or unreliable; and

(h) the disclosure may unfairly damage the reputation of any person referred to in the record requested by the applicant.

(3) A disclosure of personal information is presumed to be an unreasonable invasion of a third party’s personal privacy if

(a) the personal information relates to a medical, dental, psychiatric, psychological or other health-care history, diagnosis, condition, treatment or evaluation;
(b) the personal information was compiled and is identifiable as part of an investigation into a possible violation of law, except to the extent that disclosure is necessary to prosecute the violation or to continue the investigation;
(c) the personal information relates to eligibility for income assistance or social-service benefits or to the determination of benefit levels;
(d) the personal information relates to employment or educational history;
(e) the personal information was obtained on a tax return or gathered for the purpose of collecting a tax;
(f) the personal information describes the third party’s finances, income, assets, liabilities, net worth, bank balances, financial history or activities, or creditworthiness;
(g) the personal information consists of personal recommendations or evaluations, character references or personnel evaluations;
(h) the personal information indicates the third party’s racial or ethnic origin, sexual orientation or religious or political beliefs or associations; or
(i) the personal information consists of the third party’s name together with the third party’s address or telephone number and is to be used for mailing lists or solicitations by telephone or other means.

(4) A disclosure of personal information is not an unreasonable invasion of a third party’s personal privacy if
(a) the third party has, in writing, consented to or requested the disclosure;
(b) there are compelling circumstances affecting anyone’s health or safety;
(c) an enactment authorizes the disclosure;
(d) the disclosure is for a research or statistical purpose and is in accordance with Section 29 or 30;
(e) the information is about the third party’s position, functions or remuneration as an officer, employee or member of a public body or as a member of a minister’s staff;
(f) the disclosure reveals financial and other similar details of a contract to supply goods or services to a public body;
(g) the information is about expenses incurred by the third party while traveling at the expense of a public body;
(h) the disclosure reveals details of a licence, permit or other similar discretionary benefit granted to the third party by a public body, not including personal information supplied in support of the request for the benefit; or

(i) the disclosure reveals details of a discretionary benefit of a financial nature granted to the third party by a public body, not including personal information that is supplied in support of the request for the benefit or is referred to in Clause (c) of Subsection (3).

(5) On refusing, pursuant to this Section, to disclose personal information supplied in confidence about an applicant, the head of the public body shall give the applicant a summary of the information unless the summary cannot be prepared without disclosing the identity of a third party who supplied the personal information.

(6) The head of the public body may allow the third party to prepare the summary of personal information pursuant to Subsection (5). 1993, c. 5, s. 20.

Confidential information

21 (1) The head of a public body shall refuse to disclose to an applicant information

(a) that would reveal

   (i) trade secrets of a third party, or

   (ii) commercial, financial, labour relations, scientific or technical information of a third party;

(b) that is supplied, implicitly or explicitly, in confidence; and

(c) the disclosure of which could reasonably be expected to

   (i) harm significantly the competitive position or interfere significantly with the negotiating position of the third party,

   (ii) result in similar information no longer being supplied to the public body when it is in the public interest that similar information continue to be supplied,

   (iii) result in undue financial loss or gain to any person or organization, or

   (iv) reveal information supplied to, or the report of, an arbitrator, mediator, labour relations officer or other person or body appointed to resolve or inquire into a labour-relations dispute.
(2) The head of a public body shall refuse to disclose to an applicant information that was obtained on a tax return or gathered for the purpose of determining tax liability or collecting a tax.

(3) The head of a public body shall disclose to an applicant a report prepared in the course of routine inspections by an agency that is authorized to enforce compliance with an enactment.

(4) Subsections (1) and (2) do not apply if the third party consents to the disclosure.

1993, c.5, s.21

Treatment of personal information

24 (1) Personal information shall not be collected by or for a public body unless

(a) the collection of that information is expressly authorized by or pursuant to an enactment;

(b) that information is collected for the purpose of law enforcement; or

(c) that information relates directly to and is necessary for an operating program or activity of the public body.

(2) Where an individual's personal information will be used by a public body to make a decision that directly affects the individual, the public body shall make every reasonable effort to ensure that the information is accurate and complete.

(3) The head of the public body shall protect personal information by making reasonable security arrangements against such risks as unauthorized access, collection, use, disclosure or disposal.

(4) Where a public body uses an individual's personal information to make a decision that directly affects the individual, the public body shall retain that information for at least one year after using it so that the individual has a reasonable opportunity to obtain access to it. 1993, c.5, s.24.

Use of personal information

26 A public body may use personal information only

(a) for the purpose for which that information was obtained or compiled, or for a use compatible with that purpose;

(b) if the individual the information is about has identified the information and has consented, in the prescribed manner, to the use; or

(c) for a purpose for which that information may be disclosed to that public body pursuant to Sections 27 to 30. 1993, c. 5, s. 26.
Disclosure of personal information

27 A public body may disclose personal information only

(a) in accordance with this Act or as provided pursuant to any other enactment;
(b) if the individual the information is about has identified the information and consented in writing to its disclosure;
(c) for the purpose for which it was obtained or compiled, or a use compatible with that purpose;
(d) for the purpose of complying with an enactment or with a treaty, arrangement or agreement made pursuant to an enactment;
(e) for the purpose of complying with a subpoena, warrant, summons or order issued or made by a court, person or body with jurisdiction to compel the production of information;
(f) to an officer or employee of a public body or to a minister, if the information is necessary for the performance of the duties of, or for the protection of the health or safety of, the officer, employee or minister;
(g) to a public body to meet the necessary requirements of government operation;
(h) for the purpose of
   (i) collecting a debt or fine owing by an individual to Her Majesty in right of the Province or to a public body, or
   (ii) making a payment owing by Her Majesty in right of the Province or by a public body to an individual;
(i) to the Auditor General or any other prescribed person or body for audit purposes;
(j) to a member of the House of Assembly who has been requested by the individual, whom the information is about, to assist in resolving a problem;
(k) to a representative of the bargaining agent who has been authorized in writing by the employee, whom the information is about, to make an inquiry;
(l) to the Public Archives of Nova Scotia, or the archives of a public body, for archival purposes;
(m) to a public body or a law-enforcement agency in Canada to assist in an investigation
   (i) undertaken with a view to a law-enforcement proceeding, or
   (ii) from which a law-enforcement proceeding is likely to result;
(n) if the public body is a law-enforcement agency and the information is disclosed
  (i) to another law-enforcement agency in Canada, or
  (ii) to a law-enforcement agency in a foreign country under an arrangement, written agreement, treaty or legislative authority;
  (o) if the head of the public body determines that compelling circumstances exist that affect anyone’s health or safety;
  (p) so that the next of kin or a friend of an injured, ill or deceased individual may be contacted; or
  (q) in accordance with Section 29 or 30. 1993, c.5, s.27.

Use compatible for purpose information obtained

28 A use of personal information is a use compatible with the purpose for which the information was obtained within the meaning of Section 26 or 27 if the use
  (a) has a reasonable and direct connection to that purpose; and
  (b) is necessary for performing the statutory duties of, or for operating a legally authorized program of, the public body that uses the information or to which the information is disclosed. 1993, c.5, s.28.
Appendix 11-F

Finance Act

CHAPTER 2

OF THE

ACTS OF 2010

15 (1) Where no provision is made in an enactment or agreement respecting the payment of interest on any receivables and debts due to the Province, interest is payable, commencing on the thirtieth day after the receivable or debt is due and owing, at the prime rate for Canadian-dollar commercial loans in Canada plus three per cent, compounded monthly.

(2) The interest rate referred to in subsection (1) must be determined quarterly on the first day of January, the first day of April, the first day of July and the first day of October of each year.

(3) Notwithstanding subsection (1), the Minister may waive the payment of interest or prescribe a lower rate of interest than that referred to in subsection (1).

Appendix 11-G
Public Service Act

CHAPTER 376

OF THE

REVISED STATUTES, 1989

Powers of Minister

68 The Minister of Service Nova Scotia and Municipal Relations has, unless specifically assigned to another member of the Executive Council, the supervision, direction and control of all affairs and matters relating to . . .

(la) the collection of debts for departments and governmental units under programs designated by the Minister of Finance;
12.1 Advances

Policy Statement
The Province of Nova Scotia records its assets in accordance with pronouncements of the Canadian Institute of Chartered Accountants (CICA) and/or the Public Sector Accounting Board (PSAB).

Definitions

ASSET
An asset of the province is an item that has future benefit that can be controlled by the province and that is derived from past transactions.

ADVANCE
An advance is defined as an asset. Advances are typically money advanced to employees for government expenditures e.g., travel, petty cash, cash floats, operating, education, or moving advances. All advances need to be accounted for so that the expenditures are recorded within the current period and any monies due to/from the employees can be paid or recovered. This will ensure that the amount to be recognized as an expense is recorded in the same time period as it was incurred.

Policy Objectives
This policy explains the types of advances and procedures for processing travel, petty cash, cash float, operating, education, and moving advances. The objective is to record expenses in the period in which the goods are received or services consumed and to create consistent application of the policy.

Application
This policy applies to all members of the government reporting entity.

Policy Directives
The procedures for recording advances are identified by advance type:
- travel
- petty cash
- cash float
- operating
• educational
• moving

TRAVEL ADVANCE  GL ACCOUNT 145120  SPECIAL GL INDICATOR T

Purpose
Travel advances are provided to employees to cover expenses while travelling on
government business. The amount provided will be determined by the employer
and will be based on a reasonable estimate of the total anticipated reimbursable
expenses. An advance should be issued only if the employee does not hold a
corporate travel card. If an employee travels frequently, advances should not be
requested, but a corporate travel card should be obtained for use by the employee
while on travel status.

Establishing
If a travel advance is required, a request may be established by entry of a down
payment request through the accounts payable document entry down payment
request function of CFMS.

Repayment
An employee who has received a temporary travel advance must render an
account for all expenses claimed and refund any unused balance not later than:

• 10 working days after completion of the trip for which the advance was made,
or
• 45 days from the date the travel advance was made.
(See Advance Repayment/Reduction Procedures.)

PETTY CASH ADVANCE  GL ACCOUNT 102000  SPECIAL GL INDICATOR I

Purpose
Petty cash advances are provided to an employee assigned as a custodian of the
fund to make reimbursements for approved office expenses of a low dollar value.
These expenditures should not exceed $50.00 in value, provided such transactions
comply with the regulations of the Procurement Branch, Department of Economic
and Rural Development. The petty cash advance should not exceed anticipated six
weeks’ expenditures.

The following restrictions should be observed:

• A fund can be used only for government expenses.
• A fund must not be used to settle expenditures previously committed as credit
  transactions.
• Salaries are not to be paid out of petty cash under any circumstances.
• Travel expenses, with the exception of reimbursing employees for taxi fare, are not to be paid out of petty cash.

Establishing
If a petty cash fund is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Operating
• Petty cash funds and receipts should be kept by the custodian in a secure location.
• The sum of the total receipts of expenditures and the cash on hand must be equivalent to the approved fund level.
• A statement of petty cash expenditures should be completed at each month-end and submitted for reimbursement.

Repayment
See Advance Repayment/Reduction Procedures.

Custodian Change
Any changes in the employee responsible for a petty cash advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers) equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

CASH FLOAT ADVANCE      GL ACCOUNT 101000    SPECIAL GL INDICATOR C

Purpose
Cash floats are provided to employees whose duties include receiving cash and making change for these transactions. The following restrictions should be observed:
• The float can be used only to make change for government transactions.
• The float must not be used for office expenditures.

Establishing
If a cash float is required, a request may be established by entry of a down payment request (See Appendix 12-A: Advance Requests Procedures.)
Chapter 12: Advances and Prepaid Expenses
12.1 Advances

Repayment
See Advance Repayment/Reduction Procedures.

Custodian Change
Any changes in the employee responsible for a cash float advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers) equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

**OPERATING ADVANCE**  GL ACCOUNT 145110  SPECIAL GL INDICATOR O

Purpose
Operating advances are provided to departments for payment of transactions that must be processed outside the CFMS. All regulations and policies regarding government spending will apply to expenditures from any operating advance.

Establishing
If an operating advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

Operating
- Operating funds and receipts should be kept by the custodian in a secure location.
- The sum of the total receipts of expenditures and cash on hand must be equivalent to the approved fund level.
- A statement of operating expenditures should be completed at each month-end and submitted for reimbursement.

Repayment
See Advance Repayment/Reduction Procedures.

Custodian Change
Any changes in the employee responsible for an operating advance must be reflected in the accounting system. Before this change is made, the department should obtain a signed statement from the new custodian confirming that she/he has received the proper amount of funds (accumulation of cash and vouchers)
equal to the original advance amount. This document should be maintained for audit purposes, and then you may proceed to make the necessary changes in SAP. (See Appendix 12-B: Advance Adjustments to Change Custodian or Advance Type.)

**EDUCATIONAL ADVANCE**  GL ACCOUNT 145140  SPECIAL GL INDICATOR A

**Purpose**
Educational advances are provided to employees to assist with costs associated with an educational program. The amount provided will be determined by each department.

**Establishing**
If an educational advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

**Repayment**
See Advance Repayment/Reduction Procedures.

**MOVING ADVANCE**  GL ACCOUNT 145190  SPECIAL GL INDICATOR M

**Purpose**
Moving advances are provided to employees to assist with expenses associated with a move from one residence to another upon transfer. The amount provided will be determined by the employer and will be based on an approved estimate of the total anticipated costs of the move. (See *Manual 500, Policy 7.3: Moving and Relocation Policy.*

**Establishing**
If a moving advance is required, a request may be established by entry of a down payment request. (See Appendix 12-A: Advance Requests Procedures.)

**Repayment**
An employee who has received a moving advance must render an account for all expenses claimed and refund any unused balance not later than 30 working days after completion of the move for which the advance was made. (See Advance Repayment/Reduction Procedures.)
Chapter 12: Advances and Prepaid Expenses
12.1 Advances

Advance Repayment/Reduction Procedures
Advances may be repaid/reduced in three ways:

THROUGH ACCOUNTS PAYABLE
1) Deducted from a claim being processed for payment through accounts payable
   a) Post the claim for the full amount of expenses.
   b) Clear the advance using screen F-54, Clear Vendor Down Payment.

NOTE: Complete both these postings together, and if a payment method supplementary code (pmt meth supp) has been used on the claim posting, ensure that the clearing posting also has the same code or a cheque will be issued in the wrong amount, i.e., the advance will not be deducted from the claim.

BY JOURNAL ENTRY
2) Repaid by cash/cheque and recorded on a journal entry.
3) Charged off against an expense account by journal entry.
In order to record repayment/reduction of advances in 2 and 3 above, a posting account called advance clearing (GL account 145180) has been established.
   a) Post the entry using account 145180 to record the advance amount repaid/reduced.
   b) Through accounts payable clear the advance using screen F-54, Clear Vendor Down Payment (same amount as (a) above).
   c) Prepare a document using account 145180 for the same amount as in (a) above.
   d) Post through accounts payable document in (c) above.

NOTE: Both (b) and (d) postings should be completed together as in 1 above. These posting will clear the advance for the amount required, and no cheque will be issued to the vendor. Departments should verify on a regular basis that account 145180 is nil, ensuring that all necessary entries have been made.

Reconciliations/Reporting (All Advance Types)
Monthly reconciliations should be conducted to verify the accuracy of the details in the vendor records and should be balanced to the total reported in the GL. Departments should verify on a regular basis that advance details are accurate. You may obtain a report using the Information Systems Menu Path:

Information Systems > Accounting > Financial Accounting > Accounts Payable > Open Items.
This will take you to Screen #1, called **List of Vendor Open Items**. Enter the following for this screen:

1. Vendor account: 10000000 to 69999999
2. Company code: NSPG

Next select **Dynamic Selections**. This will take you to Screen #2 with other options. From this screen enter the data in the following fields:

1. Special GL ind. Select one you require *
2. Business area Your business area number (i.e., 6100, etc.)

Save the information on Screen #2 and return to Screen #1 and execute your report. From this report you can verify that the employee and the amount stated are correct. The total of report should also be verified to the total of the GL account. If there are any discrepancies, please contact Accounts Payable, Department of Finance, so the necessary adjustments can be made.

**NOTE:** Quarterly reports must be submitted to the Department of Finance on the memorandum form. (See Appendix 12-C: Quarterly Advance Reconciliation Confirmation.)

**Quarterly reports must be filed** with the Department of Finance, Government Accounting Division **as of June 30, September 30, December 31, and March 31**, by the 20th day of the month following, confirming the balance and accuracy of employees stated as holding an advance. (See Appendix 12-C: Quarterly Advance Reconciliation Confirmation.)

On March 31 each year the Department of Finance may obtain a certificate from each advance holder confirming the continuing existence of, and responsibility for, the amount of the advance.

**SHORTAGES (ALL ADVANCE TYPES)**

Any shortages should be reported immediately by way of memorandum from the department's chief financial officer (CFO) to the Government Accounting Division, Department of Finance. If funds are required to bring the advance back to the approved level, do not request these through advance request. These funds should be charged against a receivable account and written off if never recovered.

**NOTE:** Department of Finance reserves the right to recall advances at any time.
Policy Guidelines
Materiality should be a consideration when assessing this policy. An advance should be cleared to an expenditure account provided the expenditure amounts are known at the month-end/year-end cut-off point. Accruals should be recorded in situations where carrying the advance on the balance sheet would result in material misstatement of the period’s expenses and assets.

Accountability

DEPARTMENTS’ RESPONSIBILITIES
• setting up advance requests
• verifying that cheques have been issued correctly
• recovering advances
• making changes to custodians when necessary
• reconciling GL account 145180 (Repayment of Advances)
• reconciling advances
• reporting to Finance on advance status (quarterly)

FINANCE (GOVERNMENT ACCOUNTING SERVICES) RESPONSIBILITIES
• issuing advance cheques
• assisting departments with any queries
• monitoring advances
• monitoring GL account 145180 (Repayment of Advances)
• monitoring travel advances issued to credit card holders (list)
• issuing 45-day overdue letters for travel advances not repaid
• issuing annual confirmation letters

Monitoring
Government Accounting, Department of Finance will monitor the policy’s implementation.

Enquiries
Accounts Payable Processing, Government Accounting
Department of Finance
(902) 424-6626
Appendices
Appendix 12-A Advance Requests (Down Payments): Procedures to Set up an Advance
Appendix 12-B Advance Adjustments to Change Custodian or Advance Type
Appendix 12-C Quarterly Advance Reconciliation Confirmation

Approval date: January 9, 2003
Approved by: Executive Council
Effective date: July 5, 2001
Administrative update: April 1, 2009
Appendix 12-A

Advance Requests (Down Payments): Procedures to Set up an Advance

**Note:** Advances can be issued only for

<table>
<thead>
<tr>
<th>Advance Type</th>
<th>Special GL Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational</td>
<td>A</td>
</tr>
<tr>
<td>Cash Floats</td>
<td>C</td>
</tr>
<tr>
<td>Petty Cash</td>
<td>I</td>
</tr>
<tr>
<td>Moving</td>
<td>M</td>
</tr>
<tr>
<td>Operating</td>
<td>O</td>
</tr>
<tr>
<td>Travel</td>
<td>T</td>
</tr>
</tbody>
</table>

1. Before entering any request for an advance, verify if an advance exists for the vendor. Travel advances should not be issued if the vendor already holds one, or if he/she has a travel card.
2. Once verified, an advance may be issued. Ensure that it has the proper approval.
3. Create a request for the advance by following the menu path as indicated.

**MENU PATH:**

Accounting > Financial accounting > Accounts payable > Document entry > Down payment > Request

Screen “Down Payment Request: Header Data” will appear.
4. Using the “Down Payment Request: Header Data” screen, enter the following information:

   In the field: 1. Document date Key enter today’s date
   2. Doc. type Key enter KA
   3. Document header text Key enter Travel advance request (etc.)
   4. Account Key enter Vendor account
   5. Trg. sp. G/L ind. Key enter the correct special G/L indicator

then press ENTER

Screen “Down Payment Request: Create Vendor Item” will appear.
5. Using the “Down Payment Request: Create Vendor Item” screen, enter the following information:

   In the field:  
   1. Amount Key enter amount 
   2. Bus. area Key enter business area 
   3. Due on Key enter date required 
   4. Pmt. method Key enter C 
   5. Pmt meth. suppl. Key enter return to code 
   6. Text Key enter Travel advance (etc.)

If all the information is correct, post the document (f11), then record the document number on the request form.
Appendix 12-B

Advance Adjustments to Change Custodian or Advance Type

Follow these steps to transfer an advance from one custodian to another or to change the advance type for an advance that has been set up incorrectly.

NOTE: Transfers can be carried out only for cash floats, petty cash, and operating advances.

As well, a statement signed by the new custodian must be obtained stating the amount received.

Part I: Clear the advance from the current custodian

1. Before entering any correction, verify that an advance exists for the vendor, the amount of the advance, the type of advance, and the business area.

2. Clear the advance from the current custodian by following the menu path as indicated.

   MENU PATH: TRANSACTION: F-43

   Accounting > Financial accounting > Accounts payable > Document entry > Invoice

   Screen “Enter Vendor Invoice: Header Data” will appear.
3. Using the “Enter Vendor Invoice: Header Data” screen, enter the following information:

In the field:

1. Document date Key enter Date
2. Doc. type Key enter KA
3. Doc. header text Key enter To change custodian or To change advance type
4. PstKy Key enter 39
5. Account Key enter Vendor account
6. Sp. G/L Key enter the advance type

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Create Vendor Item” will appear.
4. Using the “Enter Vendor Doc. Gross: Create Vendor Item” screen, enter the following information:

- In the field: 1. Amount Key enter amount
  2. Bus. area Key enter business area
  3. Due on Key enter today’s date
  4. Text Key enter Change custodian to vendor # or Change advance type
  5. PstKy Key enter 40
  6. Account Key enter 145180

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Correct G/L Account Item” will appear.
5. Using the “Enter Vendor Doc. Gross: Correct G/L Account Item” screen, enter the following information:

   In the field:
   1. Amount       Key enter amount
   2. Business area Key enter business area
   3. Text         Key enter +

   Then press Overview icon.

   If all is correct, post the document.

7. Record the document number on the request for transfer memo.

8. Then verify that the advance has been cleared from the vendor.

Part II: Set up the advance for the new custodian

1. Set up the advance in the vendor account of the new custodian by following the menu path as indicated.

   MENU PATH:  TRANSACTION: F-43
   Accounting > Financial accounting > Accounts payable > Document entry > Invoice
   Screen “Enter Vendor Invoice: Header Data” will appear.
2. Using the “Enter Vendor Invoice: Header Data” screen, enter the following information:

   In the field: 1. Document date Key enter date  
                2. Doc. type Key enter KA  
                3. Doc. header text Key enter To change custodian or To change advance type  
                4. PstKy Key enter 29  
                5. Account Key enter vendor account  
                6. Sp. G/L Key enter the advance type

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Create Vendor Item” will appear.
3. Using the “Enter Vendor Doc. Gross: Create Vendor Item” screen, enter the following information:

In the field: 1. Amount Key enter amount 2. Bus. area Key enter business area 3. Due on Key enter today’s date 4. Text Key enter Change custodian to vendor # or change advance type 5. PstKy Key enter 40 6. Account Key enter 145180

Then press ENTER.

Screen “Enter Vendor Doc. Gross: Correct G/L Account Item” will appear.
4. Using the “Enter Vendor Doc. Gross: Correct G/L Account Item” screen, enter the following information:

   In the field: 1. Amount Key enter amount
   2. Business area Key enter business area
   3. Text Key enter +

   Then press Overview icon.

5. Review the information on “Enter Vendor Doc. Gross: Display Overview” screen. If all is correct, post the document.

6. Record the document number on the request for transfer memo.

7. Then verify that the advance has been set up in the vendor account of the new custodian.
Appendix 12-C

Quarterly Advance Reconciliation Confirmation

To: Department of Finance  
Government Accounting Division

From:

Subject: Quarterly Advance Reconciliation Confirmation

<table>
<thead>
<tr>
<th>Business Area:</th>
<th>For the Quarter Ending:</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>ADVANCE TYPE</th>
<th>G/L ACCT.</th>
<th>SP. G/L IND.</th>
<th>G/L BALANCE</th>
<th>A/P BALANCE</th>
<th>VARIANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Petty Cash</td>
<td>102000</td>
<td>I</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash Float</td>
<td>101000</td>
<td>C</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating</td>
<td>145110</td>
<td>O</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Education</td>
<td>145140</td>
<td>A</td>
<td></td>
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<tr>
<td>Travel</td>
<td>145120</td>
<td>T</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Moving</td>
<td>145190</td>
<td>M</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

We have completed a verification of advances held by our department confirm that the balance in the general ledger agrees with the balance shown in the accounts payable sub-ledger and that the details of the sub-ledger are true balances of this date.

Prepared by: ______________________________ Date: __________

Approved by: ______________________________ Date: __________
12.2 Prepaid Expenses

Policy Statement
The Province of Nova Scotia records its assets in accordance with pronouncements of the Canadian Institute of Chartered Accountants and/or the Public Sector Accounting Board.

Definitions

ASSET
An asset of the province is an item that has future benefit that can be controlled by the province and that is derived from past transactions.

PREPAID EXPENSE
A prepaid expense is a cash disbursement or other transfer of economic resources, other than an outlay for inventory or capital property, before the criteria for expense recognition have been met, that is expected to yield economic benefits over one or more future periods. It is recorded as an asset at the time of incurrence and amortized to expenses over the periods expected to benefit from it. Prepaid expenses generally expire either through the passage of time, such as prepaid rent or insurance, or through use or consumption. Prepaid expenses are non-financial assets.

PREPAYMENT
A prepayment (also called Advance Payments or Preflows) are financial assets of the transferring government. Prepayments finance future operations because the government will not have to pay cash to the recipient in the future when the transfer is due, e.g., operating or capital grants paid in advance of the operating period or capital expenditure, respectively.

FINANCIAL ASSETS
Financial assets are assets that could be used to discharge existing liabilities or finance future operations that are not for consumption in the normal course of operations.

NON-FINANCIAL ASSETS
Non-financial assets are acquired, constructed or developed assets that do not normally provide resources to discharge exiting liabilities, but instead:

a) are normally employed to deliver government services
b) may be consumed in the normal course of operations; and
c) are not for sale in the normal course of operations.
Policy Objectives
This policy explains which payments qualify as prepaid expenses to create consistent
application across departments. The objective is to record expenses in the period in
which the goods are received or services consumed and to avoid having prepayments
incorrectly classified as prepaid expenses.

Application
This policy applies to all members of the government reporting entity.

Policy Directives
A prepaid expense exists when a payment is made for goods or services that are
not received during the current period. This does not include prepayments, such as
grants. The amount relating to the current period should be expensed in that period.
The value of the future benefit portion should be recorded as an asset in the prepaid
expense asset accounts. As the goods or services are received in subsequent periods,
that proportion of the value should be expensed to operations. When all goods or
services are received in full, the prepaid expense account balance should be zero.

Policy Guidelines
Common prepaid expenses include fees paid for a specified period of time extending
beyond a period end date or advance payments for shipments of goods or delivery
of service. Some examples include annual professional dues, insurance premiums,
advance lease payments, retainer fees, and subscriptions.

Prepayments should be classified as Accounts receivable and Advances (financial
assets) and kept separate from prepaid expenses (non-financial assets).

Materiality should be a consideration when assessing this policy. A prepaid expense
should be recorded in situations where expensing the full payment would result in
material misstatement of the period’s expenses and assets.

Accountability
Departments are responsible to ensure that prepaid expenses are properly reflected
in their accounts.
**Monitoring**

These accounts are subject to review by Government Accounting and the auditors. Government Accounting will monitor the policy’s implementation, performance, and effectiveness.

**Enquiries**

Director, Government Accounting, Department of Finance  (902) 424-7021

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Approval date:  **January 9, 2003**  
Approved by:  **Executive Council**  
Effective date:  **July 5, 2001**  
Administrative update:  **August 21, 2008**
Chapter 13: Inventory
13.1 Inventory – Supply and Resale

General

Policy Statement
It is the policy of the Province of Nova Scotia to record, in the accounts of the Province, the inventory owned by the Province. This policy sets government-wide standards for inventory management and creates a framework that can be used to establish procedures for individual departments.

Policy Objective
The goal of the policy is to establish a framework that will lead to procedures that are consistent across all government departments yet flexible in order to deal with a variety of situations in the most efficient and effective manner. Inventory, if not properly managed, can result in sub-optimal use of cash and therefore should be monitored regularly.

Application
This policy focuses on accounting for inventory held for consumption and use, and inventory held for resale. The application of this policy is to address the costing, valuation and existence of inventory. The effective date for implementation is April 1, 2005; however, processes must be in place earlier to ensure retroactive application will be possible.

Rationale
The Province has many different types of inventories throughout the Province owned by varied departments and agencies. The inventory types range from Supplies, Gravel, Salt, Repair Parts, Livestock, and Items Held for Sale.

While the value of inventory at any one location may not be considered significant, the total inventory of the Province is significant and should be monitored. In order to accomplish this the Province requires a policy to enable consistency amongst entities while providing sufficient flexibility to address unique operational concerns.

The Province is also committed to be compliant with the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Section PS 1200 ‘Financial Statement Presentation – Federal, Provincial & Territorial
Governments’ addresses financial and non-financial assets. Financial assets include ‘Inventory held for resale’ and non-financial assets include ‘Inventory held for consumption or use’ and it is stated that such assets be included in the financial statements for fiscal years beginning on or after April 1, 2005 with earlier adoption being encouraged.

**Accountability**

Government Accounting is responsible for the development, communication, and periodic review of this policy as well as to work with Senior Management during the implementation phase.

Senior management of the departments and provincial public service agencies are responsible for the initial and continued implementation of this policy.

**Concepts**

**Inventory**

The inventory of the Province is to include ‘Inventory held for consumption and use’ as well as ‘Inventory held for resale’. It is important that each department and agency make this distinction in their reporting. The distinction determines the classification between non-financial or financial asset. See Appendix 13-A for a list of examples of what is expected to be included in inventory (note: no such list can be all-inclusive, professional judgment will be required).

**NATURE OF INVENTORY HELD FOR CONSUMPTION OR USE**

Materials and supplies maintained to enable the delivery of goods and/or services. The materials and supplies will be consumed or used through ordinary operations. The materials and supplies are expected to be used within one year of acquisition, or are expected to be on hand as a repair item that could be required within one year of acquisition. Items that would otherwise be considered Tangible Capital Assets (TCA), were it not for the TCA policy thresholds, are not to be considered inventory held for consumption or use. The important link to make is the association of carrying the goods with the fulfillment of the departments’ or agencies’ mandate.

**NATURE OF INVENTORY HELD FOR RESALE**

Products held where there is demand for the sale of those products.
Segregation of Duties

Proper stewardship of an entity's resources involves establishing internal controls over various corporate functions. Certain of these corporate functions are considered to be incompatible when one person is responsible for a combination of these functions. Inventory has certain of these incompatible functions; however, where there are staffing constraints, making proper segregation of duties impossible, other controls should be considered to mitigate any risk. The functions to be segregated are as follows:

- Ordering inventory
- Receiving inventory
- Issuing inventory
- Paying for inventory

The count teams (as discussed in the inventory count procedures) should be comprised of two individuals and should not include staff with responsibility for the handling of inventory or the accounting for inventory. If this is not possible, compensating controls would be required.

Government Accounting is available for consultation regarding the development of appropriate compensating controls when proper segregation of duties is not possible or practical (i.e., budget to actual comparisons, increased scrutiny during management review or testing, rotational visits by departments’ or agencies’ financial staff during counts, etc.).

Accounting Policy

Elements of Cost

As discussed in the CICA Handbook, ‘Section 3030 – Inventories’, the elements of cost vary depending on the type of inventory being carried. The cost of raw material inventory and inventory purchased for resale or consumption is considered to be “laid-down” cost. “Laid-down” costs include invoice cost, duties, and freight-in charges. Should there be any instances of work-in-progress or finished goods that were produced by the Province, the cost would include the “laid-down” costs plus any cost of direct labour directly attributable to the project and an applicable share of overhead expense. It is expected that there will be minimal instances where labour or overhead allocations would be appropriate.
Cost of inventory would not include items such as freight-out (this is a shipping or distribution charge) or warehousing. Generally, once the product is in final form (the form in which it will be sold or consumed), costs are no longer inventoriable to the product.

Inventory Cost
The Province of Nova Scotia’s policy anticipates all departments and agencies using the SAP Inventory Module. Alternate methods may be required for departments transitioning to the SAP Inventory Module as well as for departments where this module is not practical (e.g., certain critical information or history would be lost if current system abandoned). Alternate inventory modules must provide adequate information for proper accounting and management.

The Province will cost all inventory using the weighted average cost, using the First-In-First-Out (FIFO) inventory turnover assumption. This method may not be possible or practical for a department or agency not using the SAP Inventory Module, or another computerized inventory system. In such cases the inventory should be costed using the most recent cost. As inventory control is important, it is expected all departments and agencies will consider migrating to the SAP Inventory Module.

Inventory Value
It is important that inventory is not carried in the accounts of the Province at a cost that is in excess of its fair value. Management must therefore complete periodic reviews of all inventories under their responsibility to assess valuation. Management must consider items such as damaged stock, obsolete stock, and market conditions. If valuation adjustments are required to reduce the carrying value of inventory to the realizable value (or replacement value), such adjustments must be approved by the department’s or agency’s Director of Finance if the adjustment is $10,000 to $25,000 and the Deputy Minister if the adjustment is greater than $25,000.

Valuation adjustments cannot be reversed if the conditions change at a later date, and the valuation of inventory is to be considered on an item-by-item level rather than as a pool of inventory.

Inventory that is considered obsolete should be disposed of within six months of this determination. This is important to maintain meaningful inventory records and efficient physical management of quality stock.
Financial Statement Inventory Policy description

INVENTORY HELD FOR CONSUMPTION OR USE
Lower of cost or replacement cost where cost is calculated using the average cost basis. Inventory of livestock will be valued at the lower end of fair value (as is consistent within the agricultural industry).

INVENTORY HELD FOR RESALE
Lower of cost or market where cost is calculated using the average cost basis.

ALTERNATIVE COSTING (NOT DISCLOSED IN FINANCIAL STATEMENTS)
Certain inventories are carried at the most recent cost. Any difference between most recent cost and moving average cost would not be considered material and therefore separate disclosure would not be considered necessary.

Use of SAP Inventory Module
The Provincial policy has been drafted with an expectation that all departments will consider implementing the SAP Inventory Module and that all departments with a significant volume of purchases each year would plan to move ahead with implementing the SAP Inventory Module. Guidelines for implementation would be any department or agency with inventory of $100,000 or greater that would turnover approximately one time per year should use the SAP Inventory Module. As support will be required from Corporate Information Systems Division (CIS) in setting up the inventory in SAP (as well as with the training of staff), the alternate costing method would be used during this transition period.

Inventory Existence
The nature of the departments’ or agencies’ operations could impact the type of work done to establish the existence of the inventory. The use of the SAP Inventory Module will also impact the ability to choose amongst acceptable alternatives. In a very well controlled environment full physical inventory counts are not necessarily required. To avoid the full physical inventory count, the computer system must be updated regularly (likely daily, or at least weekly) and there must be an adequate cycle count established to ensure all items will be counted at least one time per year. The following paragraphs discuss the different inventory count alternatives.
100% PHYSICAL INVENTORY COUNTS

Inventory not set up on a perpetual system with established cycle count procedures (see the following discussion regarding cycle counts) must be counted annually on March 31, the fiscal year-end. Where this date is not practical given operational concerns, the count must occur within 5 business days of March 31 (before or after year-end would be considered acceptable, as would a weekend date falling within this time frame) and the shipping and receiving records for the period between the count date and year-end must be available for review.

In rare circumstances, an example being certain seasonal and slow moving inventory items (e.g., components of Transportation and Infrastructure Renewal’s County Stock) other count dates might be appropriate. The department must communicate the situation with Government Accounting in advance and be able to show at year-end that the movement of the inventory was minimal, and be able to produce printed report(s) and supporting audit evidence to the Office of the Auditor General at year-end to corroborate that inventory movement was minimal.

PERIODIC CYCLE COUNTS

Cycle counts are considered acceptable if inventory is accounted for on a perpetual computer system, and the system is found to be accurate (records updated regularly and very few adjustments are made resulting from the count and these adjustments are not considered significant in quantity or value). If the system is proven unreliable (significant variations between system quantity on hand and actual quantity on hand, or the differences result in significant monetary adjustments), full physical counts will need to be conducted at year-end.

The Cycle Count program should ensure all items are counted one time per year and that higher value stock, higher turnover stock, and stock susceptible to misappropriation should be counted at least two times per year. Cycle counts, therefore, should be on a program of at least one count each month, and could be structured so that there is a count as often as every day (operational concerns must be considered by each department/agency).

INVENTORY NOT SUSCEPTIBLE TO DIRECT PHYSICAL VERIFICATION

Where inventory held is of a nature where direct physical observation is not possible, appropriate alternate procedures must be documented and carried out. Gravel, salt, lumber, oil, livestock, and fish are examples of items that likely would not be susceptible to direct physical inventory counts. In such circumstances the involvement of specialists (those with in-depth knowledge of the inventory in question) would be
expected. Measurements, or other count techniques, of the stock in question would therefore be taken and converted to the inventoriable unit. Any conversions should be supported by industry standards that are maintained to support all calculations. The timing of the verifications would be expected to be similar to the timings required for all other inventory (cycle counts periodically through the year or full physical counts at least once per year).

**INVENTORY IN THE CUSTODY OF THIRD PARTIES**

Inventory that remains the property of the Province, but that is in the custody of third parties must be verified. The verification of this type of inventory should be obtained through sending out inventory confirmations to the entities holding the Province’s inventory. Appendix 13-B, Draft Inventory Confirmation Letter, should be used for this purpose.

**TOTAL INVENTORY OF DEPARTMENT LESS THAN $25,000**

As the objective of this policy is to provide useful information to management, and to ensure the proper accounting standards are adhered to, if the department’s total inventory is estimated to be less than $25,000, a count does not need to be completed. Should the department choose to complete a count, the processes outlined in this policy should be followed; however, it will be acceptable for management to estimate the value of inventory and certify that their best estimate of total value is less than $25,000. See Appendix 13-C, Certification Inventory < $25,000, for the form Government Accounting would expect to be submitted. The individual signing this certification would be required to be able to discuss the process followed to come to the estimated value as this could be a valid audit enquiry.

**Inventory Count Procedures**

Inventory counts must be carried out under the supervision of a member of management with sufficient knowledge of the inventory to properly supervise the count (to be referred to as ‘count supervisor’). This role would require involvement in planning the count, completing the count, and assessing the count results and completing the necessary procedures to resolve discrepancies or unusual results. To achieve proper segregation of duties, the count supervisor should not have responsibility over the physical custody of the inventory, but must have sufficient knowledge of the inventory to assess reasonability of the inventory count results.
The inventory counts must be well controlled from a planning, execution and follow up standpoint. Those staff involved with the count should receive a hard copy of the inventory count procedures to be followed and these instructions should be explained to the individuals involved with the count prior to the commencement of the count.

The following represents the type of information that must be captured during the count:

- Item code
- Item description
- Quantity of item on hand
- Location code

Sufficient detail in the item code and item description must be captured to enable the count supervisor to compare the count results to the inventory records.

Manual Transaction Record Forms must be used to track any movement of stock during the count. This is important to ensure a proper cut-off is achieved. This form, and its use, is discussed further throughout Appendix 13-D, Inventory Count Instructions.

Management is expected to submit a certification confirming that government policy was followed in conducting the inventory count(s). Appendix 13-E, Inventory Count Certification, provides a template that Government Accounting will expect to have submitted along with the results of the inventory count.

**DAMAGED OR OBSOLETE INVENTORY**

If damaged or obsolete items are noted during the count, where all of the items were originally expected to be of good quality, the damaged or obsolete items should be physically separated from the good quality stock and the number of damaged and/or obsolete items recorded separately on an exception sheet. These items should be identified as part of the pre-count review (see Appendix 13-D, Pre-count procedures, point 4). To the extent these items are included in existing inventory records they must be counted to ensure proper adjustments are recorded, both physical quantity and valuation adjustments.

Regulatory requirements regarding the disposal of damaged or obsolete inventory must be adhered to. These considerations notwithstanding, damaged or obsolete inventory would be transferred to the Department of Transportation and Infrastructure Renewal for disposal. For instances where inventory is deemed to be
damaged and/or obsolete and the item(s) have been previously recorded in inventory, a sufficient audit trail must be maintained to substantiate the write-down/disposal (e.g., transfer document noting units transferred, print out of value of the goods prior to disposal).

The following appendices have been included for management’s use and these should be considered the minimum requirement. Other guidelines might be appropriate given the inventory under consideration. Government Accounting is available to assist in determining if variations would be appropriate.

Appendix 13-B – Draft Inventory Confirmation Letter (where the Province’s inventory is in the custody of a third party)

Appendix 13-C – Certification Inventory < $25,000 (management’s certification that the estimated total inventory is less than $25,000 and therefore an estimate of inventory is sufficient, rather than a full count)

Appendix 13-D – Inventory Count Instructions (pre-count, count, and post-count procedures included)

Appendix 13-E – Inventory Count Certification (management’s certification that the count was conducted in accordance with the Provincial policy)

**Scheduling of counts**
Inventory count date(s) must be forwarded to Government Accounting as soon as possible, but not less than 10 business days prior to date of the count. To the extent it is practical, in the case of cycle counts or other special counts to be conducted through the year, the year’s schedule should be forwarded to Government Accounting for planning purposes.

**Documentation Retention**
Departments and agencies should maintain inventory documentation for a period not less than seven years. Three years should be kept on hand (current year plus the two previous fiscal years). This documentation would include the detailed inventory listing, inventory count sheets, support for inventory adjustments, adjustments required as a result of replacement cost/market value testing, and other documentation that would be deemed necessary should a given location be subject to an audit (be it internal or external). The documentation retained should be accessible for audit purposes.
Enquiries
Manager, Financial Accounting
Department of Finance
(902) 424-8592

Approval date: July 31, 2008
Approved by: Executive Council

Effective date: August 21, 2008
Administrative update: July 31, 2008
Appendix 13-A

Items to be Included in Inventory

The following is a list of items to be included in inventory. Please note that it is not possible to produce an all-inclusive listing of such items, therefore judgment will need to be exercised. Please contact Government Accounting with any questions that might arise.

- Books
- Equipment Parts
- Electrical Supplies
- Feed for livestock/aquaculture
- Fuel
- Gravel
- Lab Supplies
- Large Tools (value > $100 per unit)
- License Plates
- Livestock/aquaculture
- Maintenance Supplies
- Medical Supplies (including Drugs)
- PC Repair Supplies
- Plumbing Supplies
- Road Salt
- Signs
- Telecommunications Supplies
- Tree Seedlings

Please take special note of the following points:

- With the exception of the Stationary Stock Room, which has very large quantities, it is not expected that regular office supplies (printer paper, pencils, pens, computer discs, post-it notes, etc.) will be considered ‘supply inventory’.
- Items that meet the definition of a Tangible Capital Asset (TCA), but do not meet the TCA policy thresholds are not to be considered inventory. Such items should be treated in accordance with the directives outlined within the TCA policy.
- The distinction of ‘supply inventory’ from ‘inventory held for resale’ is a very important issue for proper disclosure in the Provincial financial statements.
Draft Inventory Confirmation Letter

Date

Contact Name
Contact Title
Contact Organization’s Name
Address

Subject: Inventory of *(name of Dept./Agency)* held by *(name of Contact Organization)*

Dear Sir or Madam:

As a matter of public accountability and in order to submit accurate figures to the Province of Nova Scotia regarding our inventory, *(Name of Dept/Agency)* is required to conduct a full physical inventory count of all supplies inventory and inventory held for resale on *(Date)*. We have identified your organization as an organization holding certain stock which continues to be owned by *(Name of Dept/Agency)*, and as such we require that you report to us the following details with regard to this inventory as at *(Date of Count)*:

· Product code (if applicable)
· Product description
· Quantity of each product on hand as at *(Date of Count)*
· Location of each product on hand as at *(Date of Count)*
· Detail of any damaged product on hand

We appreciate your attention to this matter and would appreciate your signing and returning a copy of this letter below, certifying the accuracy of your records with regard to this inventory.

If you have any questions regarding this process please do not hesitate to give me a call, I can be reached at *(phone number)*.

Yours very truly,

*(Name of appropriate Dept/Agency official)*

________________________________________
I hereby certify that the inventory owned by *(Dept/Agency Name)* has been counted and accurately reported as at *(Date of Count)*. Please see the enclosed for the requested details.

Signature: __________________________________________

Name (please print): __________________________________________

Title: __________________________________________

Date: __________________________________________
Appendix 13-C

Certification Inventory <$25,000

Date

Contact Name
Accounting Manager
Respective Department/Corporate Services Unit
Address

Subject: Inventory of (name of Dept./Agency) as at (Date)

Dear (Contact Name):

Upon review of our inventory, it has been determined that the estimated value of all supply inventory and/or inventory held for resale is less than $25,000. As this value is not considered to be significant, as per the Government’s policy, we have not conducted a physical inventory count.

The enclosed listing approximates the quantity and value of supply inventory and/or inventory held for resale as at (Date).

By signing this letter I certify that I have an in depth knowledge of the inventory on hand which provides the ability to assert to the reasonableness of the estimated value being less than $25,000 as at (Date).

Should you have any questions please do not hesitate to contact me directly.

Yours very truly,

Signature: _____________________________
Name (please print): _____________________________
Title: _____________________________
Date: _____________________________
Appendix 13-D

Inventory Count Instructions

Pre-count procedures

1. Determine date(s) for inventory count(s) and communicate this to Government Accounting.

2. Arrange to have adequate count teams available, ensuring that each count team is comprised of two individuals. Anticipate and resolve any overtime issues that may arise as a result of best efforts to ensure counts are conducted in a timely and efficient manner.

Note: The count supervisor is not to be a member of the count teams, and individuals with responsibility over the handling of inventory or accounting for inventory should not be members of the count teams (segregation of duties is very important).

3. Ensure the system is updated for all inventory transactions up to the inventory cut-off.

4. Ensure the stock room is organized in a manner that will facilitate an accurate and complete inventory count (i.e., all like items are grouped together, damaged/obsolete goods are separated from regular stock, consumable stock partially used should be stored in separate location).

5. Where practical, arrange to have the warehouse/stock room closed during the count. At minimum, restrict movement of inventory during the count to vital orders only, where shipments must be issued or receipts must be accepted, maintain supporting documentation to ensure the correct cut-off has been achieved (i.e., if a receipt is accepted ensure the payable is set up with the inventory).

6. Arrange to have pre-numbered count sheets or pre-numbered count tags in order to maintain proper control over the inventory count. Where SAP is used, and possibly other perpetual systems, count sheets can and should be generated by the system.

7. Where count sheets are used and generated from the system, ensure there is no indication of physical quantities on hand per the system, the count teams must provide a completely independent count.
8. Where count sheets are used, ensure count stickers of one colour are available for count teams to place on the stock, or on the SAP Inventory Identification sticker, once an item is counted (practicality must override here in certain instances; livestock being an example). The colour of the sticker should be changed for subsequent counts unless removal of stickers prior to the next count is possible.

9. Provide a blank count sheet to each count team for the purpose of reporting exceptions (i.e., damaged stock found during count, inventory item that does not appear on the count sheet).

10. Review the count instructions with the count teams, ensuring the teams understand the importance of obtaining an accurate count.

11. Where the warehouse/stockroom can be closed, post that the area is closed due to the inventory count.

Physical Count Procedures
1. Count Supervisor Procedures:
   a) Distribute the inventory count sheets/count tags to the count teams. Track what sheets/tags were assigned to each count team, as they are responsible to return these sheets/tags to the count supervisor. The count teams should be responsible for distinct areas of the stockroom (i.e., whole rooms, section of shelves, inside vs. outside).
   b) If count stickers are used (use if count sheets are used), ensure teams have sufficient quantities to place on stock being counted.
   c) If the stockroom must handle inventory transactions during the physical count (this should be minimized), the following must be adhered to:
      i. A Manual Transaction Record Form stating the inventory item, part number (if applicable), quantity, movement type, cost centre involved, etc. must be filled out for later processing. A copy of this form must be placed on the stock on hand to track the movement – the transaction is to be noted as being after the inventory count.
      ii. Retain the Manual Transaction Record Form separately until completion of the stock taking.
      iii. The Manual Transaction Record Form should be signed by the individual issuing or receiving inventory on behalf of the department or agency. This should also be signed by the third party representative receiving or shipping the inventory. This will provide the necessary trail to support the adequacy of the inventory cut-off.
For counts prior to year-end (including counts conducted on March 31), if there is this kind of inventory movement, these Manual Transaction Records would be used to update the inventory records subsequent to the count. Inventory received would be included in the results and inventory shipped would be removed from the results. These forms, with appropriate supporting documentation, would provide the audit trail substantiating inventory cut-off.

d) Sample counts should be completed of higher risk, higher value goods as well as a sample of other items to ensure the proper implementation of the count instructions by the count teams. If differences between the test count and count of the count team exist, follow this up with the count team prior to completion of the count. Number of tests will vary based on knowledge of stock and experience of count teams.

e) When count teams have completed the count, visually inspect the stock room to ensure all inventory items have been counted (should have count tag or count sticker on all inventory items).

f) When you are satisfied that all items have been counted, ensure that all inventory count sheets/tags are accounted for after the count has been completed. This involves a count sheet/tag continuity where all used and unused sheets/tags numbers are accounted for (numbers 1 through 100 were issued, must ensure all 1 through 100 have been returned).

2. Count Team Procedures:

a) Count teams are to start at their assigned locations and systematically proceed through their assigned section with their assigned count sheets/tags.

b) All recordings are to be done in pen. Any corrections to recorded quantities are to be noted by one stroke through the error, the new number noted, and the counter’s initials by the corrected number.

c) Where count sheets are used, when the item has been physically counted, identify the item on the inventory count sheet, verify the details on the count sheet (item description, etc.) and note the number counted and then place a count sticker on the item.

d) Where count tags are used, note the item details on the tag, count the number of items on hand and note the quantity on the count tag. Place the removable part of the count tag on the stock counted, and maintain the other part of the count tag to return to the stockkeeper/inventory analyst.
e) Where an exception is noted, the count details should be recorded on the blank count sheet provided by the count supervisor for exception reporting. Exceptions could be, but are not limited to, damaged/obsolete stock found in an area during the count. Count teams are expected to record sufficient detail to ensure proper adjustments and follow up procedures can be completed.

f) If a Manual Transaction Record Form is found on the inventory stock item about to be counted, you must count the stock that continues to be on hand and add the number of items removed as shown on the Manual Transaction Record Form, record this total number as the amount counted.

g) When the count teams complete their counts, each team member is to sign and date each page of the completed Physical Stocktaking List (where count sheets are used). Where count tags are used, each team member should sign and date the tag continuity prepared by the count supervisor. The signature is indicating responsibility for completed counts, and would also indicate what count tags were returned unused (therefore not claiming responsibility for any counts completed on numbers originally assigned to that team).

h) If given a Re-Count document, only count the items specified and follow the count procedures as outlined in this appendix.

Post-count Procedures

1. Count Supervisor Procedures:

   a) Update inventory records for any items counted and properly included as inventory but that were not part of the previous inventory records.

   b) Compare the results of the inventory count with the quantity in the system (where some reliance can be placed on the reasonableness of a perpetual system if one is used). Where a perpetual system is not used, compare the count results with your expectation of what should be held, and also compare the results with your own test counts. Where discrepancies are found or are expected, complete the following:

      i. Determine if the variance is significant enough to warrant a re-count of that item.

      ii. If no re-count is considered necessary, update the records for the results of the count.

      iii. If a re-count is required, create a Re-Count Document (a listing of items to be re-counted, this can be system generated in SAP).
iv. Number the Re-Count Documents to maintain control of these, similar to the control over the original count sheets/tags.

v. Distribute the Re-Count Documents to the count teams, ensure the re-counts are completed by teams that were not responsible for the original count of the items being re-counted.

c) Receive the Re-Count Documents and review the results of the re-count, assessing these results in comparison to the system or your expectation.

d) Continue to produce Re-Count Documents until you are satisfied with the results of the count. Once the variances are considered to be acceptable, have the inventory records appropriately updated. Have the manager responsible for the cost centre sign off on the count results.

e) Create a list of Inventory after the Inventory Count, and mark it as such. This is the record of inventory on hand at the end of the count.

f) For any items that appear unusual, review the history of the inventory item (purchase history or usage history) and assess if there is a trend that indicates a change in the level of the item that should be carried. This could result in indicating higher or lower levels are necessary (changing circumstances could affect desired inventory levels – i.e., new equipment may require new repair parts, but at a lower level).
Appendix 13-E

Inventory Count Certification

Date:

Contact Name
Accounting Manager
Respective Department/Corporate Services Unit
Address

Subject: Inventory of (name of Dept./Agency) as at (Date)

Dear (Contact Name):

Please find enclosed the results of our physical inventory count(s) conducted on (Date). The count was conducted in accordance with Government Policy and I hereby certify this to be an accurate reflection of the inventory quantity held on the above noted date.

Should you have any questions please do not hesitate to contact me directly.

Yours very truly,

Signature: _____________________________
Name (please print): _____________________________
Title: _____________________________
Date: _____________________________
Chapter 14: Tangible Capital Assets
14.1 Tangible Capital Assets

Policy Statements
It is the policy of the Province of Nova Scotia to record, in the accounts of the Province, the tangible capital assets controlled by the Province.

It is the policy of the Province of Nova Scotia to record, in the accounts of the Province, the tangible capital assets under capital lease by the Province.

Policy Objectives
This document outlines the accounting policy for tangible capital assets in the accounts of the Province of Nova Scotia. The objective of this policy is to ensure that tangible capital assets are recorded appropriately and accurately.

Tangible capital asset information assists management in fulfilling its responsibility to efficiently manage tangible capital assets.

This policy supports the following corporate objectives:

• consistency throughout government
• fiscal responsibility
• corporate flexibility
• accountability
• compliance with the Public Sector Accounting Board (PSAB)
• need to manage corporate infrastructure
• enhanced measurement of cost of service
• improved information to support long-term planning

Application
This policy applies to the Province’s departments and public service units contained in the General Revenue Fund.

All organizations deemed to be part of the government reporting entity are encouraged to adopt a tangible capital assets policy with appropriate asset classes and threshold amounts for each class and to apply it as soon as is practical.

It is recognized that many entities may already have an appropriate policy in place. As well, threshold amounts should be determined as appropriate for each entity.
All entities to which this policy is applicable are responsible for implementation and operation of an internal control system that ensures that tangible capital assets are accounted for in accordance with this policy.

**Policy Directives**

**INCLUSIONS**

The policy applies to the following tangible capital assets:

- land
- land improvements
- dykeland systems including aboiteaux and gates
- buildings including schools and portable classrooms
- leasehold improvements
- furniture, equipment and technology
- utilities
- wharves
- major equipment
- ferries and boats
- computer hardware
- computer software
- customized software
- motor vehicles
- owned ambulances
- buses
- paved roads and highways
- gravel roads
- bridges

Capital leases are recorded as separate tangible capital asset classes for each type of asset (e.g., buildings owned and buildings leased are two separate tangible capital asset classes).

**EXCLUSIONS**

The following capital assets are excluded:

- intangibles
- land and other assets acquired by right
- works of art and historical treasures
- natural resources such as forests, water, and mineral resources
Accounting

All assets that meet the definition as provided in Appendix 14-A, fall within the classification outlined in Appendix 14-B, and meet the threshold values in Appendix 14-C must be recorded in the accounts of the Province in accordance with this policy. Bundling or grouping of assets does not make a tangible capital asset—that is, each individual asset must meet the criteria for capitalization.

Tangible capital assets will be capitalized and reported in the financial statements of the Province of Nova Scotia. Assets and betterments will be recorded at gross cost.

Contributions will be recorded as revenue when the revenue is earned. The revenue is earned once the related eligible TCA acquisition has been recognized as per the terms and conditions of the related cost shared agreement.

Contributions of tangible capital assets received from unrelated parties will be capitalized at fair value if the fair value meets the capitalization threshold of the appropriate asset class. Fair value may be estimated using market or appraisal values. In unusual circumstances, where an estimate of fair value cannot be made, the tangible capital asset will be recorded at a nominal value of $1. If the fair value of a contributed tangible capital asset does not meet the capitalization threshold, the contributed asset will be recorded at fair value as an operating expense, with an offsetting revenue.

A capital leased asset is valued at the net present value of future lease payments. It is recorded as an asset acquisition if the value meets the applicable asset class threshold. If the value does not meet the applicable asset class threshold, it is charged to expenses.

In assessing the threshold for roads, bridges, and highways projects (paved roads only), the total cost of a project would include the road/highway portions as well as any bridges (overpasses are common) along the way from the starting point to the ending point. If the total project cost exceeds the threshold, the project would be capitalized in separate components for the substructure, pavement, and bridges to allow for the different amortization rates.

Interest will not be capitalized as part of the asset cost under this policy.

Salaries will be capitalized as part of the asset cost only if those salaries relate directly to the project.

A down payment/deposit on a capital asset will be recorded as an Advance. When the related asset is available for use, the down payment/deposit will be capitalized at that time.
Amortization of tangible capital assets, with the exception of capital leases and leasehold improvements, will be on the declining balance basis at the rates that reflect estimated useful life, as provided in Appendix 14-C.

Amortization of capital leases and leasehold improvements will be straight line over the remaining term of the lease.

It is assumed that the province will hold a tangible capital asset for an extended period of time, and as a result, the residual/salvage value will be immaterial. Amortization will continue to occur and be charged to the department's budget appropriation until the net book value is nil or the tangible capital asset has been disposed of and removed from the accounts of the province.

The net book value of a tangible capital asset is to be written down when conditions indicate that the tangible capital asset no longer contributes to the government’s ability to provide services or the future economic benefits are less than the net book value. Write-downs are not to be reversed. The amount of the write-down represents a charge against the department's budget appropriation. On an annual basis, assets that are 95% amortized and have a net book value of less than $1,000 will be written down to $1 at fiscal year-end.

Assets will be retired from the accounts of the province when the asset is sold, destroyed, abandoned, or otherwise disposed of. The gain or loss on disposal will be calculated with reference to the net proceeds received and the net book value of the tangible capital asset. The gain or loss from the sale of the asset is recorded centrally rather than by the department. For disposals that are part of an exchange transaction, refer to Chapter 14.2 on Non-Monetary Transactions and Chapter 14.3 on Non-Monetary Related Party Transactions in Corporate Administrative Policy Manual #200.

Policy Guidelines

The following guidelines are intended to facilitate decision making and assist departments in applying this policy. The capital asset module is not designed to be a substitute for inventory management.

Capital investment decisions will have a significant impact on future operations as a result of amortization charges. Departments should recognize the impact that such investment will have on annual departmental costs. Departments should avoid excessive amortization charges, which may impair the department's operational flexibility.
This policy recognizes that amortization charges represent a non-discretionary cost once a capital investment decision is made. As well, amortization charges extend to future years. Capital investment decisions should be supported by a commitment to fund future amortization charges as well as related repairs and maintenance costs.

Professional judgment is based on an individual’s past experiences and training. In the presence of uncertainty, the application of judgment is inevitable. Professional judgment must be used in determining which costs are capitalized.

Departments are to consider the spirit and intent of the policy objectives in situations where professional judgment is required.

Departments are to apply the policy consistently across the department and from year to year.

Departments must have control over those tangible capital assets for which they are held accountable.

Budgeting for tangible capital asset acquisitions should reflect the multi-year nature of capital investment decisions. Departments may prepare capital investment plans based on either a project basis or a program basis, as appropriate.

Where departments provide capital grants to other entities and organizations, the provincial contribution is not considered to be a capital asset of the province. Where capital grants are provided, the appropriation for the contribution is to be supported by a capital plan for the entity even though the contribution is considered to be an operating expense of the contributor.

While this policy sets out the accounting policy for tangible capital assets, it should not be construed by management to be all that is required for appropriate control of tangible capital assets.

An environmental remediation project can include components of both site restoration and betterment. The portion related to restoration of a site to its original state should be expensed as incurred. The portion related to the betterment, as defined in Appendix 14-A, should be capitalized, added to the cost of the asset (as a sub-asset) and amortized accordingly.
Accountability

DEPARTMENTS AND THE SENIOR FINANCIAL EXECUTIVES SERVING DEPARTMENTS

Departments and the senior financial executives serving departments are responsible for

- managing capital investment budgets
- accounting for tangible capital assets, in accordance with this policy, for all tangible capital assets they own or lease
- maintaining current and accurate tangible capital asset information
- recognizing the impact of capital investment decisions on current and future operating budgets (i.e., amortization charges) and managing all expenditures accordingly
- analysing lease vs. buy options for asset acquisitions
- recording capital leases appropriately
- ensuring that proper control of tangible capital assets is maintained

DEPARTMENT OF FINANCE AND TREASURY BOARD

The Government Accounting Division is responsible for

- providing information as inputs to forecasts and budgets for tangible capital assets
- coordinating the month-end close process for the asset management module including the posting of amortization
- reporting tangible capital assets in the financial statements of the province
- monitoring the application of this policy
- updating this policy, periodically, with consultation from departments

The Liability Management and Treasury Services Division is responsible for

- updating the province’s debt management plan as a result of differences in the timing of capital investment decisions from that originally planned
- determining the most appropriate means of long-term financing for TCA spending

The Treasury Board Office is responsible for

- assembling and reviewing information for forecasts and budgets for tangible capital assets
- facilitating the approval of capital investment budgets giving due regard to provincial cash flow and debt management
- recognizing the impact of current and future amortization charges on the operating budget of the department and giving this due consideration when facilitating the approval of capital investment budgets
DEPARTMENT OF INTERNAL SERVICES
The Department of Internal Services is responsible for
• conducting the month-end close process for the asset management module
  including the posting of amortization

Monitoring
The Financial Advisory Services groups are responsible for implementing, and
complying with, this policy. Government Accounting is responsible for monitoring the
application, performance, and effectiveness of this policy.

References
Finance Act, Section 16
Public Highways Act
Public Sector Accounting Standards
  PS 1000 Financial Statement Concepts
  PS 3150 Tangible Capital Assets
  PS 3210 Assets
  PSG-2 Leased Tangible Capital Assets

Appendices
Appendix 14-A Definitions
Appendix 14-B Tangible Capital Asset Classes
Appendix 14-C Thresholds and Amortization Rates Classes for Tangible Capital
  Assets

Note: Appendices 14-A, 14-B and 14-C are an integral part of this policy.

Transitional Provisions
The original policy was implemented effective April 1, 1999 on a retroactive basis.
Tangible capital assets owned at that time were recorded at net book value. Where
net book value was not easily determinable, reasonable estimates were required.

This policy was updated for changes made related to gross cost, effective April 1, 2006
and applied on a retroactive basis to April 1, 2004.

This policy has been updated for changes to contributed assets, effective April 1, 2017
and applied on a retroactive basis to April 1, 2002.

A series of guidelines supplement the directives included in this policy.
Enquiries
Government Accounting
Department of Finance and Treasury Board
(902) 424-7771

Approval date: April 12, 2017
Approved by: Treasury and Policy Board
Effective date: April 1, 1999
Administrative update: April 12, 2017
APPENDIX 14-A

DEFINITIONS

ACCUMULATED AMORTIZATION
Accumulated amortization represents the total consumed or used portion of the tangible capital asset. It is the sum of all amortization charges made for a tangible capital asset.

AMORTIZATION
Amortization is the process of allocating the cost of a tangible capital asset over its estimated useful life to match costs with the revenues or public services that it helps provide. The method of amortization used best matches the costs to the associated revenues or services for each tangible capital asset or group of tangible capital assets.

Amortization of tangible capital assets does not commence until they are available for use.

ASSETS
Assets, in general, must have three characteristics:

- They embody a future benefit that involves a capacity singly or in combination with other assets to provide services.
- The government can control access to the benefits.
- The transaction or event giving rise to the entity’s right to or control of the benefit has already occurred.

BETTERMENT
The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

- There is an increase in the previously assessed physical output or service capacity.
- Associated operating costs are lowered.
- The original useful life is extended.
- The quality of output is improved.

Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for the one currently used. A replacement, on the other hand, is the substitution of a similar component.
If they meet the threshold, Betterments are recorded as tangible capital assets (set up as a sub-number of the related asset) and amortized accordingly. Replacements are treated as ordinary operating expenditures.

**COST**
Cost is the gross amount of consideration given up to acquire, construct, develop, or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development, or betterment of capital assets including installing it at the location and in the condition necessary for its intended use. Capital Revenues are not netted against the cost of the related tangible capital asset. Salaries are capitalized as part of the asset cost only if those salaries relate directly to the project.

**DECLINING BALANCE METHOD**
The declining balance method is an approach of amortizing a tangible capital asset where amortization is considered as a function of usage instead of a function of time. The periodic charge is a constant percentage of the unamortized cost so that the depreciated cost approaches zero by the retirement date. This method reflects a higher amortization charge in the early years of use, since the amortization is calculated by applying the identified rate to the annually declining net book value.

**DISPOSALS**
Disposals result when the ownership of a tangible capital asset is relinquished. Disposals reduce the cost of tangible capital assets and accumulated amortization to zero.

**FINANCE LEASES**
IPSAS (International Public Sector Accounting Standards ) 13 Leases defines a finance lease as a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

PSAS Guideline PSG-2 Leased Tangible Capital Assets states that from the point of view of government, the benefits and risks of ownership would be transferred to the government when, at the inception of the lease, one or more of the following conditions are present:

a) There is reasonable assurance that the government will obtain ownership of the leased property by the end of the lease term. Reasonable assurance that the government will obtain ownership of the leased property would be present when the terms of the lease would result in ownership being transferred to the government by the end of the lease term or when the lease provides for a bargain purchase option.
b) The lease term is of such a duration that the government will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span. Although the lease term may not be equal to the economic life of the leased property in terms of years, the government would normally be expected to receive substantially all of the economic benefits related to the leased property if the lease term is equal to a major portion (usually 75 percent or more) of the economic life of the leased property. This is due to the fact that new equipment, reflecting later technology and in prime condition, may be assumed to be more efficient than old equipment which has been subject to obsolescence and wear.

c) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value, at the beginning of the lease term, of the minimum lease payments, excluding any portion thereof relating to executory costs, is equal to substantially all (usually 90 percent or more) of the fair value of the leased property, at the inception of the lease.

In addition to the standard “math tests,” PSAB Guideline PSG-2 Leased Tangible Capital Assets focuses on further assessment of whether “substantially all of the benefits and risks incident to ownership are, in substance, transferred to the government without necessarily transferring legal ownership.” Government tends to consume most of the useful life of a specialty asset such as a jail, school or hospital in providing essential services. These specialty assets have few alternative uses so are not available to fulfill other services.

**NET BOOK VALUE**

The net book value represents the difference between the cost of a tangible capital asset and both its accumulated amortization and the amount of any write-downs. The net book value is, therefore, the unconsumed cost of a tangible capital asset attributable to its remaining service life.

**REPAIRS AND MAINTENANCE**

The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition. They are charged to an expense account in the period in which they are incurred on the basis that their entire use/benefit is consumed in the current accounting period.
Replacement of minor parts, lubricating and adjusting of equipment, repainting, and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

STRAIGHT LINE METHOD
The straight line method is an approach of amortizing a tangible capital asset where amortization is considered as a function of time instead of a function of usage. The major assumptions are that the asset’s economic usefulness is the same each year and the repair and maintenance expense is essentially the same each period. Therefore, the periodic charge is the same in each year of the useful life of the asset.

TANGIBLE CAPITAL ASSET
A tangible capital asset is a non-financial asset that is purchased, constructed or developed and

- is held for use in the production or supply of goods and services, for rental to others, for administrative purposes, or for development, construction, maintenance, or repair of other capital assets
- requires operating and maintenance expenditures and may need to be replaced in the future
- has a useful life extending beyond an accounting period and is intended to be used on a continuing basis
- is not intended for sale in the ordinary course of operations

THRESHOLD AMOUNT
Generally, the threshold amount for each category represents the minimum cost an individual asset must have before it is to be treated as a tangible capital asset and added to the proper asset class balance. The threshold amount is to be used as a guide in addition to professional judgment.
APPENDIX 14-B
TANGIBLE CAPITAL ASSET CLASSES

Information respecting tangible capital assets is grouped by tangible capital asset classes. For each category, an amortization rate and a capitalization threshold have been determined. See Appendix 14-C for a summary of this information.

The following describes the types of tangible capital assets included in each category.

LAND
Land includes land purchased for parks and recreation, building sites, and other program use. It does not include land acquired by right of the province. It also does not include land held for resale.

LAND IMPROVEMENTS
Only those land improvements not associated with a building on-site are to be set up in this asset class. An example would be a parking lot on vacant land. Any other land improvements are set up as a sub-asset of the related building.

DYKELAND SYSTEMS
Dykeland systems protect primarily marshland, as well as residential and commercial property, roads, railroads, and utility lines. Dykeland systems consist of up to three components – dykeland formations, dykeland aboiteaux, and dykeland gates. Dykes are constructed by digging marsh material and arranging it into ridges rising above ground level for grass planting. The grass aids in binding the soil and prevents erosion during tidal storm surges. A dykeland aboiteau is a culvert or pipe dug into the ground beneath a dyke, with a gate on the mainstream end. The dykeland gate has a flap that opens and closes during the change in tides. Each of these components has a separate asset class to allow for different amortization rates as these components have different useful lives.

Since dykeland project work can take several forms, there is a separate threshold for each class, as well as a combined project threshold.

BUILDINGS
In addition to basic buildings, complex structures such as fish hatcheries, greenhouses, and forest lookout towers are included. Any betterments to buildings are also included. Items to furnish the buildings, such as chairs, desks, filing cabinets, photocopiers, etc., are not considered part of the building costs and are not
capitalized, unless it is determined that these costs meet the criteria of the Furniture, Equipment and Technology category. In this case, the costs will be capitalized in the FE&T category.

**SCHOOLS**
Provincially owned schools are capitalized under this class. Any betterments to schools are also included. Items to furnish the school, such as chairs, desks, photocopiers, etc., are not considered part of the building costs and are not to be capitalized, unless it is determined that these costs meet the criteria of the Furniture, Equipment and Technology category. In this case, the costs are capitalized in the FE&T category.

**PORTABLE CLASSROOMS**
Portable classrooms are modular buildings or trailers that are placed on a school site to provide additional classroom space.

**LEASEHOLD IMPROVEMENTS**
Leasehold improvements are additions, improvements, or alterations made by the lessee to leased property that cannot be removed upon termination of the lease because they are attached to, or form, part of the leased premises.

**FINANCE LEASES**
A finance lease is valued as the net present value of the stream of future lease payments. Separate classes for finance leases are established as needed.

**FURNITURE, EQUIPMENT AND TECHNOLOGY (FE&T)**
Furniture, equipment and technology may be capitalized in the following situations:

- construction of a new building
- construction of a new building which is a replacement for a currently existing building
- construction of a building addition which includes new FE&T
- major renovation of a building in which new FE&T is included to replace the existing items
- construction of certain major complex network systems

The furniture, equipment and technology to be capitalized should meet all of the following criteria:

- total costs exceed threshold of $250,000
- will not be consumed in the normal course of operations in the short term
- intended to have a useful life over one year
- appropriate security and inventory procedures are in place to protect assets.
In the case of a complex network system, FE&T must be an integral part of the functionality of the complex network system. A complex network system consists of an assembly of inter-dependent assets which perform a coordinated function. Recording the component parts into various classes would be difficult and not very meaningful. The useful life is very long as compared to regular assets. Examples include waste treatment facilities, water utilities, and radio networks.

In the case of a building project, FE&T are reasonable items required to furnish and equip a building. FE&T are not to be removed from the facility for an extended length of time.

FE&T are recorded as lump sum assets (e.g., Building ABC FE&T).

**UTILITIES**
All items, except land and building, associated with a water utility such as piping (transmission lines), steel storage tanks, dams, wells, water meters, hydrants, and pumps are included in the Utilities category. The land and building associated with a water utility are set up in the respective Land and Building category.

**WHARVES**
A wharf includes all direct costs of construction including labour, materials, land, survey costs, and project-specific design costs.

**MAJOR EQUIPMENT**
The equipment category includes all major equipment with a value of $50,000 or more. Examples include back-hoes, front-end loaders, trucks, tractors, forklifts, welding machines, utility trailers, diesel/electric generators, and Bailey Bridges.

**FERRIES AND BOATS**
Ferries and boats include all passenger and vehicle ferries as well as boats.

**COMPUTER HARDWARE**
Computer hardware consists of all equipment that can be considered a component of, is typically attached to, or communicates with an information system. The term encompasses processing units, memory apparatus, input and output devices, storage devices and connectivity equipment.

A computer hardware system or subsystem, or computer component with single-unit costs of $25,000 or more, should be capitalized.
Chapter 14: Tangible Capital Assets

14.1 Tangible Capital Assets

A computer is an aggregation of potentially interchangeable, reusable, and independently operable components, thus the determination of whether its costs meets the capitalization threshold can be problematic. The unitary approach should be used. If a computer, through an assemblage of separate components, is intended to be used as a unit, it should, for capitalization purposes, be treated as a single asset.

The unitary approach should be extended to computers, file servers, and similar devices. It should not be extended to peripheral devices (workstations and printers) attached to local or wide area networks since each workstation or printer, though attached to and communicating with the network can, and is intended to be, operated independently.

**COMPUTER SOFTWARE**
The computer software category includes off-the-shelf software and any related upgrades and licences for this software.

**CUSTOMIZED SOFTWARE**
Customized software includes customized software systems that were developed “in house” or with the assistance of private-sector partners. Customized software systems are usually designed for a unique specific purpose.

Costs incurred to design, develop, and implement a computer system include direct costs. Direct costs include external costs (i.e., hiring an external consultant) and internal government costs (i.e., salary and ancillary costs related to the development of a system).

**MOTOR VEHICLES**
Vehicles that are used primarily for transportation purposes are included here. This includes passenger vehicles, such as automobiles, trucks, and vans. It also includes snowmobiles, boats, and motorcycles.

**OWNED AMBULANCES**
Provincially-owned ambulances are capitalized under this asset category.

**BUSES**
Provincially-owned school buses are capitalized under this asset category.

**ROADS, BRIDGES, AND HIGHWAYS**
Roads and highways includes all direct costs of construction including labour, materials, survey costs, project-specific design costs (e.g., route location, pavement, interchanges, environmental assessment and design, inspection costs, tendering costs, and tender construction costs).
Network design costs are excluded. Network design costs consist of the costs involved in planning and designing the overall highway system in Nova Scotia and are not considered to be tangible capital assets. Once the proposed highway has been determined, the costs involved in developing that highway are capitalized under this policy.

Paved roads and highways are divided into three components to allow for different amortization rates as certain components of a highway have differing useful lives. New construction will include two components—substructure and paving. The third component is repaving, which is tracked separately in its own class.

Gravel roads costs are tracked separately in their own asset class. A gravel road reconstruction includes bush cutting the roadside, ditching the road, replacing culverts, digging out and repairing soft areas, graveling the road with type “2” gravel and type “1” gravel, compacting the gravels, shaping the driving surface and applying a dust suppressant. Subsequent costs for applications of gravel are excluded.

Bridges are structures of three or more metres in length that span and give passage over a waterway, deep valley, depression, or some other obstacle such as another transportation route. Some special bridges are defined according to function. An overpass allows one transportation route to cross over another without traffic interference between the two routes. A viaduct carries a railroad or highway over a land obstruction. Bridges include all direct costs of construction including labour, materials, survey costs, project-specific design costs (e.g., location, approaches, environmental assessment and design, inspection costs, tendering costs, and tender construction costs).

In certain instances, bridges are required to be replaced as stand-alone projects. In these situations, the Bridges (complete bridge replacement) category is used.

**ASSETS UNDER CONSTRUCTION**

Some assets go through a period of construction before they are ready to be put into use. Costs related to assets under construction are accumulated in the asset under construction class and transferred to a regular asset class when the asset is ready for use. Assets under construction are not amortized. Separate asset under construction classes will be established as needed to correspond to the related asset class.
## Tangible Capital Assets

### Accounting Policy - Thresholds and Amortization Rates

#### Classes

<table>
<thead>
<tr>
<th>Class</th>
<th>Cost Thresholds*</th>
<th>Amortization Rate**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land</td>
<td>0</td>
<td>n/a</td>
</tr>
<tr>
<td>Land Improvements (not associated with a building on-site)</td>
<td>250,000</td>
<td>5%</td>
</tr>
<tr>
<td>Dykeland Systems</td>
<td>Combinet threshold of 200,000</td>
<td></td>
</tr>
<tr>
<td>- formation</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>- aboiteau</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>- gate</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td>Dykeland Formation (stand-alone project)</td>
<td>100,000</td>
<td>5%</td>
</tr>
<tr>
<td>Dykeland Gate (new or replacement)</td>
<td>50,000</td>
<td>10%</td>
</tr>
<tr>
<td>Dykeland Aboiteau (new or replacement)</td>
<td>50,000</td>
<td>10%</td>
</tr>
<tr>
<td>Buildings (Initial Purchase)</td>
<td>250,000</td>
<td>5%</td>
</tr>
<tr>
<td>Building Betterments (Renovations)</td>
<td>150,000</td>
<td>5%</td>
</tr>
<tr>
<td>Schools (Initial Purchases)</td>
<td>250,000</td>
<td>5%</td>
</tr>
<tr>
<td>School Betterments (Renovations)</td>
<td>150,000</td>
<td>5%</td>
</tr>
<tr>
<td>Portable Classrooms</td>
<td>50,000</td>
<td>30%</td>
</tr>
<tr>
<td>Leasehold Improvements</td>
<td>250,000</td>
<td>Lease Term (SL)</td>
</tr>
<tr>
<td>Finance Leases (various classes)</td>
<td>as per related class</td>
<td>Lease Term (SL)</td>
</tr>
<tr>
<td>Furniture, Equipment &amp; Technology</td>
<td>250,000</td>
<td>30%</td>
</tr>
<tr>
<td>Utilities</td>
<td>250,000</td>
<td>15%</td>
</tr>
<tr>
<td>Wharves</td>
<td>250,000</td>
<td>5%</td>
</tr>
<tr>
<td>Major Equipment</td>
<td>50,000</td>
<td>20%</td>
</tr>
<tr>
<td>Ferries and Boats</td>
<td>250,000</td>
<td>15%</td>
</tr>
<tr>
<td>Computer Hardware</td>
<td>25,000</td>
<td>50%</td>
</tr>
<tr>
<td>Computer Software</td>
<td>250,000</td>
<td>50%</td>
</tr>
<tr>
<td>Customized Software</td>
<td>250,000</td>
<td>25%</td>
</tr>
<tr>
<td>Motor Vehicles</td>
<td>15,000</td>
<td>35%</td>
</tr>
<tr>
<td>Owned Ambulances</td>
<td>15,000</td>
<td>35%</td>
</tr>
<tr>
<td>Buses</td>
<td>15,000</td>
<td>20%</td>
</tr>
<tr>
<td>Roads, Bridges, and Highways</td>
<td>combined threshold of 500,000</td>
<td></td>
</tr>
<tr>
<td>- substructure</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>- pavement</td>
<td></td>
<td>15%</td>
</tr>
<tr>
<td>- bridges</td>
<td></td>
<td>5%</td>
</tr>
<tr>
<td>Bridges (complete bridge replacement)</td>
<td>250,000</td>
<td>5%</td>
</tr>
<tr>
<td>Roads and Highways</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Re-paving</td>
<td>500,000</td>
<td>15%</td>
</tr>
<tr>
<td>- Gravel Roads</td>
<td>100,000</td>
<td>15%</td>
</tr>
<tr>
<td>Assets under Construction (various classes)</td>
<td>n/a</td>
<td></td>
</tr>
</tbody>
</table>

* The cost thresholds apply to the initial acquisition or construction costs, that is, the gross cost of the asset, as well as to contributed TCA.

** In the year of acquisition, amortization will be prorated from the month of purchase or the month in which the constructed asset is available for use.
14.2 Non-Monetary Transactions

Policy Statement
It is the policy of the Province of Nova Scotia to account for non-monetary transactions in accordance with accounting recommendations of the Public Sector Accounting Board.

Definitions

CARRYING AMOUNT
Carrying amount is the book value of an asset or liability net of adjustment, if any, for amortization or impairment in value.

EXCHANGE AMOUNT
Exchange amount is the amount of consideration paid or received in a transaction as established and agreed to by related parties. The exchange amount reflects the actual amount of the consideration given for the item transferred.

FAIR VALUE
Fair value is the amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act. It is essentially market price.

MONETARY ASSETS AND LIABILITIES
Monetary assets and liabilities are money or claims to future cash flows that are fixed or determinable in amounts and timing by contract or other arrangement. Examples include cash, accounts and notes receivable in cash and accounts and notes payable in cash.

NON-MONETARY ASSETS AND LIABILITIES
Non-monetary assets and liabilities are assets and liabilities that are not monetary. Inventories, investments in common stock, tangible capital assets and liabilities for rent collected in advance are examples of non-monetary assets and liabilities.

Non-monetary transactions are either:

(i) Non-monetary Exchanges
When non-monetary assets, liabilities or services are exchanged for other non-monetary assets, liabilities or services with little or no monetary consideration involved; or
(ii) Non-monetary Non-reciprocal Transfers

When non-monetary assets, liabilities or services are transferred without any consideration given in return. Donations of tangible capital assets are an example of non-monetary non-reciprocal transfers.

RELATED PARTIES

Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. The province and the entities within the Government Reporting Entity (GRE) are related parties as the province has the ability to exercise control over the other entities within the GRE. As well, the entities within the GRE are related parties (e.g., a district health authority and a regional school board) as they are subject to common control of the province.

RELATED PARTY TRANSACTION

A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction. Refer to 14.3 Non-Monetary Related Party Transactions.

TANGIBLE CAPITAL ASSET

A Tangible Capital Asset (TCA) is a non-financial asset that is purchased, constructed or developed and:

i) is held for use in the production or supply of goods and services, for rental to others, for administrative purposes or for development, construction, maintenance or repair of other capital assets;

ii) requires operating and maintenance expenditures and may need to be replaced in the future;

iii) has a useful life extending beyond an accounting period and is intended to be used on a continuing basis; and,

iv) is not intended for sale in the ordinary course of operations.

Policy Objectives

The objective of this policy is to ensure non-monetary transactions are accounted for appropriately and accurately.
Application

This policy applies to the province’s departments, agencies, boards, and commissions of the General Revenue Fund.

Policy Directives

Non-monetary transactions should be accounted for in accordance with Section 3831 Non-Monetary Transactions, CICA Handbook.

For those non-monetary transactions between related parties, refer to 14.3 Non-Monetary Related Party Transactions.

MEASUREMENT

In order to preserve an objective measurement of the value of a transaction, generally, a non-monetary transaction is measured at the fair value, with a general exception for transactions that do not have commercial substance (as described below).

There is a general requirement to measure an asset or liability exchanged or transferred in a non-monetary transaction at the more reliably measurable of:

• the fair value of the asset given up; and
• the fair value of the asset received.

When an entity is able to reliably determine the fair value of both the asset received and the asset given up, the fair value of the asset given up is used to measure the value of the asset received unless the fair value of the asset received is more reliably measurable.

However, an asset exchanged or transferred in a non-monetary transaction is measured at its carrying amount (i.e., book value) when:

• the transaction lacks commercial substance;
• the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
• neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or
• the transaction is a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.
For non-monetary transactions that are not measured at fair value, an entity should measure an asset exchanged or transferred at the carrying amount (after reduction, when appropriate, for impairment) of the asset given up, adjusted by the fair value of any monetary consideration received or given.

The entity paying the monetary consideration measures the non-monetary asset received at the carrying amount of the asset given up plus the fair value of the monetary consideration paid.

The entity receiving the monetary consideration measures the non-monetary asset received at the carrying amount of the asset given up less the fair value of the monetary consideration received, unless the monetary consideration exceeds the carrying amount, in which case a gain is recognized for the amount of such excess.

**COMMERCIAL SUBSTANCE**

A transaction is deemed to have commercial substance if it causes an identifiable, measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. A non-monetary transaction has commercial substance when the entity's future cash flows are expected to change significantly as a result of the transaction.

The entity’s future cash flows are expected to change significantly as a result of the transaction when either of the following conditions is met:

- the risk, timing or amount of the future cash flows of the asset received differs significantly from that of the asset given up (e.g., a change in the type of asset owned may represent a change in the risk of the cash flows from the asset); or
- the entity-specific value of the asset received differs from that of the asset given up, and the difference is significant relative to the fair value of the assets exchanged (e.g., realization of cost savings; realization of additional revenues).

The term “entity-specific value” is a measure of the value of an asset in the context of the entity owning the asset. It includes all of the cash flow effects of a transaction on the entire entity. The entity uses its expectations about its use of the asset rather than the use assumed by marketplace participants.

**DONATIONS – DEPARTMENTAL GRANT EXPENSE**

In order to reflect the resulting decrease in resources, donations of tangible capital assets by the province are recorded by departments of the General Revenue Fund as departmental grant expense (i.e., a donation in lieu of a grant). The amount of departmental grant expense to be recorded is measured as per the above Measurement section.
WRITE-DOWNS – DEPARTMENTAL OPERATING EXPENSE

14.1 Tangible Capital Assets Policy states

“The net book value of a tangible capital asset is to be written down when conditions indicate the tangible capital asset no longer contributes to the government’s ability to provide services or the future economic benefits are less than the net book value. Write-downs are not to be reversed. The amount of the write-down represents a charge against the department’s budget appropriation.”

Policy Guidelines
Each non-monetary transaction should be evaluated on an independent basis and the determination of the appropriate accounting treatment for each transaction requires the use of professional judgement. See examples described in Appendix 14-E.

Accountability
Departments are responsible for identifying and assessing non-monetary transactions. In addition, departments are responsible to ensure the appropriate accounting treatment for non-monetary transactions.

Government Accounting is responsible for providing guidance and advice relating to the appropriate accounting treatment for non-monetary transactions.

Monitoring
Government Accounting will monitor the policy’s implementation, performance, and effectiveness.

References
CICA Handbook, Section 3831 Non-Monetary Transactions
CICA Handbook, Section 3840 Related Party Transactions
14.1, Tangible Capital Assets Policy

Appendices
Appendix 14-D Non-monetary Transactions Decision Tree
Appendix 14-E Examples
Enquiries

Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008  Effective date: August 21, 2008
Approved by: Executive Council  Administrative update: October 7, 2010
Appendix 14-D

Decision tree

The following decision tree is provided for illustrative purposes.

1. Non-monetary transaction occurs

2. Does the transaction lack commercial substance?
   - NO
   - YES

3. Is the transaction an exchange of product or property held for sale in the ordinary course of business to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange?
   - NO
   - YES

4. Neither the fair value of the asset received or the asset given up is reliably measurable.
   - NO
   - YES

5. Is the transaction a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation?
   - NO
   - YES

Measure at carrying amount (a)
Measure at fair value (b)

(a) The carrying amount of the asset given up is adjusted by the fair value of any monetary consideration received or given.
(b) The fair value of the asset given up is used to measure the asset received unless the fair value of the asset received is more reliably measurable.
Appendix 14-E

Examples

The following examples demonstrate the appropriate accounting treatment for transactions with entities outside the Government Reporting Entity (GRE), non-related parties, in a variety of circumstances.

Example 1

EXCHANGE OF TCA – LACKS COMMERCIAL SUBSTANCE

The province exchanges a parcel of land with a carrying amount of $3,800 with an entity external to the GRE for a different parcel of land with a fair value of $7,500. The province assesses the transaction and determines that it lacks commercial substance; as a result, the transaction should be recorded at the carrying amount of the asset given up. The province would record the exchange as follows:

Debit: TCA-Land (Parcel received) $3,800
Credit: TCA-Land (Parcel given up) ($3,800)

Example 2

EXCHANGE OF TCA INVOLVING PARTIAL MONETARY CONSIDERATION – LACKS COMMERCIAL SUBSTANCE

The province exchanges a parcel of land with a carrying amount of $3,800 and fair value of $7,000 with an entity external to the GRE for a different parcel of land with a fair value of $7,500. The province also pays $500 cash to balance the fair values of the parcels of land exchanged. The province assesses the transaction and determines that the transaction lacks commercial substance; as a result, the transaction should be recorded at the carrying amount of the asset given up.

The entity paying the monetary consideration measures the non-monetary asset received at the carrying amount of the asset given up ($3,800) plus the fair value of the monetary consideration paid ($500). The province would record the exchange as follows:

Debit: TCA-Land (Parcel received) $4,300
Credit: TCA-Land (Parcel given up) ($3,800)
Credit: Cash ($500)
Example 3

**EXCHANGE OF TCA – COMMERCIAL SUBSTANCE**
The province exchanges a parcel of land with a carrying amount of $20,000 and fair value of $22,000 with an entity external to the GRE for a different parcel of land with a fair value of $25,000. The province assesses the transaction and determines that it has commercial substance; as a result, the asset received should be measured at the fair value of the asset given up. The province would record the exchange as follows:

| Debit: | TCA-Land | $22,000 |
| Credit: | TCA-Land | ($20,000) |
| Credit: | Gain on Disposal of Assets | ($2,000) |

Example 4

**DONATION OF TCA – DEPARTMENTAL GRANT EXPENSE**
The province donates a parcel of land in exchange to an entity external to the GRE for a nominal amount of $1. The carrying amount of the land is $72,000, and the fair value of the land is $1,500,000. The province assesses the transaction and determines that it has commercial substance; as a result, the transaction should be recorded at the fair value of the asset given up. The province would record the transfer as follows:

| Debit: | Cash | $1 |
| Debit: | Departmental Grant Expense | $1,499,999 |
| Credit: | TCA-Land | ($72,000) |
| Credit: | Gain on Disposal of Assets | ($1,428,000) |

Example 5

**DONATION OF TCA INVOLVING PARTIAL MONETARY CONSIDERATION – DEPARTMENTAL GRANT EXPENSE**
The province donates a piece of land with a zero carrying amount and fair value of $129,000 to an entity external to the GRE for $3,000 cash. The province assesses the transaction and determines it has commercial substance; as a result, the transaction should be recorded at the fair value of the asset given up. The province would record the transfer as follows:

| Debit: | Cash | $3,000 |
| Debit: | Departmental Grant Expense | $126,000 |
| Credit: | Gain on Disposal of Assets | ($129,000) |
Example 6

DONATION OF IMPAIRED TCA – DEPARTMENTAL OPERATING AND GRANT EXPENSE

The province donates property to an entity external to the GRE for a nominal amount of $1. The carrying amount of the property is $4,400,000 which is in excess of the $1,200,000 fair value of the property. The value of future economic benefits associated with the property is less than its net book value. Since this reduction is expected to be permanent, the province determines that a write-down of the property is appropriate.

The province would record the write-down of the property as follows (14.1 Tangible Capital Assets Policy):

Debit: Departmental Operating Expense $3,200,000
Credit: TCA-Land & Buildings ($3,200,000)

The province assesses the transaction and determines it has commercial substance; as a result, the transaction should be recorded at the fair value of the asset given up. The province would record the transfer as follows:

Debit: Cash $1
Debit: Departmental Grant Expense $1,199,999
Credit: TCA-Land & Buildings ($1,200,000)
14.3 Non-Monetary Related Party Transactions

Policy Statement
It is the policy of the Province of Nova Scotia to account for non-monetary related party transactions in accordance with accounting recommendations of the Public Sector Accounting Board.

Definitions

**CARRYING AMOUNT**
Carrying amount is the book value of an asset or liability after adjustment, if any, for amortization or impairment in value.

**EXCHANGE AMOUNT**
Exchange amount is the amount of consideration paid or received as established and agreed to by related parties. The exchange amount reflects the actual amount of the consideration given for the item transferred.

**FAIR VALUE**
Fair value is the amount of the consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. It is essentially market price.

**MONETARY ASSETS AND LIABILITIES**
Monetary assets and liabilities are money or claims to future cash flows that are fixed or determinable in amounts and timing by contract or other arrangement. Examples include cash, accounts and notes receivable in cash and accounts and notes payable in cash.

**NON-MONETARY ASSETS AND LIABILITIES**
Non-monetary assets and liabilities are assets and liabilities that are not monetary. Inventories, investments in common stock, tangible capital assets and liabilities for rent collected in advance are examples of non-monetary assets and liabilities.

Non-monetary transactions are either:
(i) **Non-monetary Exchanges**
When non-monetary assets, liabilities or services are exchanged for other non-monetary assets, liabilities or services with little or no monetary consideration involved; or

(ii) **Non-monetary Non-reciprocal Transfers**
When non-monetary assets, liabilities or services are transferred without any consideration given in return. Donations of tangible capital assets are an example of non-monetary non-reciprocal transfers.

**RELATED PARTIES**
Related parties exist when one party has the ability to exercise, directly or indirectly, control, joint control or significant influence over the other. Two or more parties are related when they are subject to common control, joint control or common significant influence. The province and the entities within the Government Reporting Entity (GRE) are related parties as the province has the ability to exercise control over the other entities within the GRE. As well, the entities within the GRE are related parties (e.g., a district health authority and a regional school board) as they are subject to common control of the province.

**RELATED PARTY TRANSACTION**
A related party transaction is a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party, regardless of whether any consideration is exchanged. The parties to the transaction are related prior to the transaction.

**Policy Objectives**
The objective of this policy is to ensure non-monetary related party transactions are accounted for appropriately and accurately.

**Application**
This policy applies to the province’s departments, agencies, boards, and commissions of the General Revenue Fund.

**Policy Directives**
Non-monetary related party transactions should be accounted for in accordance with Section 3840 Related Party Transactions, CICA Handbook. However, a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of
restructuring or liquidation should be accounted for in accordance with CICA 3831, Non-Monetary Transactions.

**MEASUREMENT**

Generally, a non-monetary related party transaction is measured at the carrying amount (i.e., book value).

However, a non-monetary related party transaction is measured at the exchange amount in the following two situations:

1. if the transaction has commercial substance and is in the normal course of operations (unless the transaction is in the normal course of operations and the transaction will facilitate sales to other customers, other than the parties to the exchange); or

2. if the transaction has commercial substance and is not in the normal course of operations, and:
   i) the change in the ownership interests in the item transferred is substantive; and
   ii) the exchange amount is supported by independent evidence.

A change in the ownership interests in an item transferred is presumed to be substantive when a transaction results in unrelated parties having acquired or given up at least 20 percent of the ownership interests in the item.

**COMMERCIAL SUBSTANCE**

A transaction is deemed to have commercial substance if it causes an identifiable, measurable change in the economic circumstances of the entity. Commercial substance is a function of the cash flows expected by the reporting entity. A non-monetary transaction has commercial substance when the entity’s future cash flows are expected to change significantly as a result of the transaction.

The entity’s future cash flows are expected to change significantly as a result of the transaction when either of the following conditions is met:

- the risk, timing or amount of the future cash flows of the asset received differs significantly from that of the asset given up (e.g., a change in the type of asset owned may represent a change in the risk of the cash flows from the asset); or
- the entity-specific value of the asset received differs from that of the asset given up, and the difference is significant relative to the fair value of the assets exchanged (e.g., realization of cost savings; realization of additional revenues).
The term “entity-specific value” is a measure of the value of an asset in the context of the entity owning the asset. It includes all of the cash flow effects of a transaction on the entire entity. The entity uses its expectations about its use of the asset rather than the use assumed by marketplace participants.

**NORMAL COURSE OF OPERATIONS**

When determining whether the operations are normal, the following matters should be taken into account: type and scope of operations, characteristics of the industry, operating policies of the enterprise, nature of products and services, and the environment in which the enterprise operates.

Examples of transactions in the normal course of operations are: the sale or purchase of an inventory item, the provision or receipt of a recurring service including management and administrative services commonly shared by related parties, a lending activity undertaken by a financial institution, a sale or purchase of real estate by an enterprise that is in the business of selling real estate as part of its ongoing activities, and recurring investing activities by an investment company.

A related party transaction is presumed not to be in the normal course of operations when it is not of a type that is usually, frequently or regularly undertaken by the enterprise for the purpose of generating revenue. The sale or purchase of capital assets is an example of transactions not in the normal course of operations. A transaction involving the sale or purchase of assets that were not acquired for resale is also not in the normal course of operations.

**DONATIONS – DEPARTMENTAL GRANT EXPENSE**

In order to reflect the decrease in resources, donations of tangible capital assets by the province are recorded by departments of the General Revenue Fund as departmental grant expense (i.e., a donation in lieu of a grant). The amount of departmental grant expense to be recorded is measured as per the above Measurement section.

**WRITE-DOWNS – DEPARTMENTAL OPERATING EXPENSE**

14.1 Tangible Capital Assets Policy states

“The net book value of a tangible capital asset is to be written down when conditions indicate the tangible capital asset no longer contributes to the government’s ability to provide services or the future economic benefits are less than the net book value. Write-downs are not to be reversed. The amount of the write-down represents a charge against the department’s budget appropriation.”
Policy Guidelines
Each non-monetary transaction should be evaluated on an independent basis and the
determination of the appropriate accounting treatment for each transaction requires
the use of professional judgement.

Accountability
Departments are responsible for identifying and assessing non-monetary related party
transactions. In addition, departments are responsible to ensure the appropriate
accounting treatment for non-monetary related party transactions.

Government Accounting is responsible for providing guidance and advice relating to
the appropriate accounting treatment for non-monetary related party transactions.

Monitoring
Government Accounting will monitor the policy’s implementation, performance, and
effectiveness.

References
CICA Handbook, Section 3831 Non-Monetary Transactions
CICA Handbook, Section 3840 Related Party Transactions
14.1 Tangible Capital Assets Policy

Appendices
Appendix 14-F Non-monetary Related Party Transactions Decision Tree
Appendix 14-G Examples

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Appendix 14-F

Decision tree

The following decision tree is provided for illustrative purposes.

1. Related party transaction occurs

2. Is the transaction in the norm course of operations?
   - Yes
   - No

3. Is the change in the ownership interests in the item transferred substantive?
   - Yes
   - No

4. Is the amount of the exchange supported by independent evidence?
   - Yes
   - No

5. Is the transaction a non-monetary exchange or transfer of a non-monetary asset?
   - Yes
   - No

6. Is the transaction an exchange of product or property held for sale in the normal course of operations to facilitate sales?
   - Yes
   - No

7. Does the transaction have commercial substance?
   - Yes
   - No

(a) In rare circumstances, when the carrying amount of the item received is not available, a reasonable estimate of the carrying amount, based on the transferor’s original cost, may be used to measure the exchange.
Appendix 14-G

Examples

The following examples demonstrate the appropriate accounting treatment for non-monetary related party transactions in a variety of circumstances.

Example 1

**EXCHANGE OF TCA**

A department of the General Revenue Fund exchanges a vehicle with a carrying value of $20,000 with an entity within the GRE for a piece of major equipment with a carrying value of $25,000. The department determines the transaction is not within the normal course of operations. In addition, the change in the ownership interests in the property transferred is not substantive. As a result, the transaction should be measured at the carrying amount. The department would record the exchange as follows:

Debit: TCA-Major Equipment $25,000
Credit: TCA-Motor Vehicles ($20,000)
Credit: Gain on Disposal of Assets ($5,000)

The other related party entity would record the transfer as follows:

Debit: TCA-Motor Vehicles $20,000
Debit: Loss on Disposal of Assets $5,000
Credit: TCA-Major Equipment ($25,000)

In preparation of the consolidated financial statements, the following elimination entry would be processed:

Debit: Gain on Disposal of Assets $5,000
Credit: Loss on Disposal of Assets ($5,000)
**Example 2**

**DONATION OF TCA - DEPARTMENTAL GRANT EXPENSE**

A department of the General Revenue Fund donates property including land and buildings to an entity within the GRE for a nominal value of $1. The carrying amount of the land is $351,000 and the carrying amount of the buildings is $1,400,000. The department determines the transaction is not within the normal course of operations. In addition, the change in the ownership interests in the property transferred is not substantive. As a result, the transaction should be measured at the carrying amount. The department would record the transfer as follows:

Debit: Cash $1
Debit: Departmental Grant Expense $1,750,999
Credit: TCA-Land ($351,000)
Credit: TCA-Buildings ($1,400,000)

The other related party entity would record the transfer as follows:

Debit: TCA-Land $351,000
Debit: TCA-Buildings $1,400,000
Credit: Grant Revenue ($1,750,999)
Credit: Cash ($1)

In preparation of the consolidated financial statements, the following elimination entry would be processed:

Debit: Grant Revenue $1,750,999
Credit: Departmental Grant Expense ($1,750,999)
Tangible Capital Assets

Guideline 1: Customized Software

Overview
Clarification has been requested on what types of costs may be capitalized as part of the development of customized software.

The following guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and provide further guidance on its application. It should be noted that this guideline is not all-inclusive and professional judgement must be exercised in applying it to each circumstance.

Definitions
The TCA policy notes the following definitions:

**COST**
Cost is the amount of consideration given up to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development or betterment of capital assets including installing it at the location and in the condition necessary for its intended use.

**CUSTOMIZED SOFTWARE**
Customized software includes customized software systems that were developed “in house” or with the assistance of private sector partners. Customized software systems are usually designed for a unique specific purpose.

Costs incurred to design, develop and implement a computer system include direct costs. Direct costs include external costs (i.e., hiring an external consultant) and internal government costs (i.e., salary and ancillary costs related to the development of a system).

Other definitions that may be applicable are as follows:

**SOFTWARE**
Software generally includes the application and operating systems programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program.
Computer software that is integrated into and necessary to operate general property, plant and equipment, rather than perform an application, should be considered part of the property, plant and equipment of which it is an integral part and capitalized and depreciated accordingly (e.g., computer operated lathe).

Guideline Directives
A software’s life-cycle phases include planning, development and operations. Some of the items that may be covered in the three phases are as follows:

**PLANNING (CHARGED TO EXPENSE AS INCURRED)**
- conceptual formulation of alternatives - e.g., should we develop new software or correct problems in existing software
- evaluation and testing of alternatives - vendor demonstrations, proposals, consideration to develop in-house
- final selection of alternatives

**DEVELOPMENT (TO BE CAPITALIZED)**
- design of chosen path, including software configuration and software interfaces
- coding
- installation to hardware
- testing, including data conversion and parallel processing phase

**OPERATIONS (CHARGED TO EXPENSE AS INCURRED)**
- application maintenance
- initial and ongoing end-user training

Inclusions
Only those costs associated with the development stage should be capitalized. These costs may include:

- salary costs incurred during the construction or development period which are directly attributable to the project such as programmers, system analysts and project managers (refer to Guideline 4, Capitalizing Salaries – Internal Staff)
- outside consultants’ fees and related travel expenses
- preparation of initial system documentation manuals
- initial direct software licensing fees
- software acquisition
- data conversion
- project team training directly related to the technical needs of the project (e.g., software configuration training)
Exclusions

The following costs would be specifically excluded from capitalization:

- salaries of staff whose contribution to a project is considered ancillary in nature (refer to Guideline 4, Capitalizing Salaries – Internal Staff)
- indirect/overhead costs such as rent, building maintenance costs, equipment usage and utilities
- general administrative costs such as supplies, meeting expenses, advertising, communications and legal services
- end-user training costs including salary and related travel for instructors and trainees, training facilities and training guides
- project team training costs which are not directly related to the technical needs of the project
- organizational change management (OCM) costs (e.g., business process reengineering activities)
- ongoing routine defect correction and maintenance
- troubleshooting once system is in production

Phased-In Approach

Refer to Guideline 5, Assets Under Construction – Phased-In Approach, for further guidance relating to projects using a phased-in approach.
Tangible Capital Assets

Guideline 2: Land Expropriations

Overview
Under the *Expropriation Act*, the Province can expropriate land for certain reasons. The Province makes an offer of compensation which the owner can either accept or reject. If the offer is rejected, the determination of compensation can take a number of years to resolve depending upon the action taken by the owner.

Land acquired under the *Expropriation Act* must be recorded in accordance with the Province’s Tangible Capital Asset (TCA) Policy.

*Expropriation Act*
For purposes of the discussion, Appendix 14-H contains key excerpts from the *Expropriation Act*.

Guideline Directives
The interpretation of the *Expropriation Act* appears to be that once the appropriate documents have been served, the Crown has effective control over the land although legal title and possession may not occur until later. Therefore it would be appropriate to record the anticipated land cost as an asset, e.g., Dr. Asset, Cr. Liability. The *Expropriation Act* notes the value of the land will be determined as the value at the time the expropriation documents are deposited at the Office of the Registrar of Deeds.

The problem with the land cost arises when the owner does not accept the compensation offer. In addition, the act states the Province will reimburse the owner for costs incurred to pursue compensation and will also pay interest at a rate of 6% based on the amount payable.

Assuming the issue of compensation takes a number of years, the issue of how to account for the final costs needs to be determined. To illustrate the issue, below are some examples (ignoring the issue of other & interest costs):

Province expropriates land in Year 1 and makes offer of $300,000 which is rejected.
Province uses this figure as its best estimate. In Year 1, the entry would be:

Dr. Asset 300,000
Cr. Accounts Payable 300,000

In Year 4, the issue of compensation is finally decided and the value of the land is determined to be $350,000. The incremental costs of $50,000 would be added to the value of the land:

Dr. Asset 50,000
Cr. Accounts Payable 50,000

If, in Year 4, the value of the land was determined to be $250,000, the entry to reduce the asset value would be:

Dr. Accounts Payable 50,000
Cr. Asset 50,000

Other Cost Issues

As noted earlier, the Expropriation Act calls for the Province to reimburse the owner for the costs incurred to pursue compensation and will also pay interest at a rate of 6% based on the amount payable.

OTHER COSTS OF GOVERNMENT

There are a number of costs that are incurred by the Province as part of any land acquisition such as appraisal fees, site surveying fees and external legal fees. However, if the expropriation process takes as long as has been suggested, then the risk exists that these costs may become excessive as many of the services may be repeated to bring the information up to date. To prevent capitalized costs from becoming excessive, only those costs related directly to the Province’s acquisition process that would be incurred in a regular land purchase acquisition can be capitalized.

COSTS OF THE OWNER

While the costs of the owner could be considered part of the land cost as they are necessary costs to complete the land acquisition, these costs are not normally reimbursed in a traditional land purchase situation. As a result, reimbursement of any costs incurred by the owner are to be expensed.
INTEREST COSTS
According to the TCA Policy, interest is not capitalized as part of the asset cost.

Interest paid on expropriation is different in that it is an amount which is easily associated with the specific land asset and must be paid under the Expropriation Act. However, land is not an asset that is constructed and the interest is due to the fact that the owner did not receive his money for a period of time. Therefore, interest costs cannot be capitalized as part of the land cost as these are considered to be a financing charge and the TCA Policy does not permit the capitalization of interest.
Appendix 14-H

Key Sections of the Expropriation Act

11(2) Upon the documents being deposited at the office of the appropriate registrar of deeds

a) the land expropriated becomes and is absolutely vested in the expropriating authority; and

b) any other right, estate or interest is as against the expropriating authority, or any person claiming through or under the expropriating authority, thereby lost to the extent that such right, estate or interest is consistent with the interest expropriated.

11(7) where the Attorney General is of the opinion that the physical possession or use of any land expropriated by an expropriating authority, including himself, is immediately required in the public interest, he may by order authorize the expropriating authority, including himself, to take physical possession of the land expropriated or to use the land to the extent specified in the order and as of the date specified in the order.

13(2) Where no agreement as to compensation has been made with the owner, the expropriating authority shall, within ninety days after the deposit of the expropriation document under Section 11 and before taking possession of the land, serve upon the registered owner

a) a true copy of the expropriation documents;

b) an offer of an amount in full compensation for his interest; and

c) where the registered owner is not a tenant, a statement of the total compensation being offered for all interest in the land,...

18(1) Where land that has been expropriated is vested in an expropriating authority and the expropriating authority has served the registered owner with an offer in accordance with Section 13, the expropriating authority, subject to any agreement to the contrary and if no application is made under subsection (4) of Section 13, shall take possession of the land on the date specified in the notice.

18(2) Subject to subsection (4) of Section 13, the date for possession shall be at least three months after the date of the serving of the offer required by Section 13.
25(2) The value of the land expropriated shall be the value of that land at the time the expropriation documents are deposited at the office of the registrar of deeds.

52(2) ... an owner whose interest in land is expropriated or injuriously affected is entitled to be paid the reasonable costs necessarily incurred by the owner for the purpose of asserting a claim for compensation.

52(9) The expropriating authority shall pay interest on an unpaid account for costs payable pursuant to this Section at the rate of six percent per year or such rate as determined by the Governor in Council, from the date the account is served on the expropriating authority by the owner.
Tangible Capital Assets

Guideline 3: Maintenance/Repairs versus Betterments

Overview

To ensure consistent and appropriate application of the Tangible Capital Assets (TCA) Policy, it has been determined that further clarification around the issue of maintenance/repairs versus betterments is required.

The following guideline is intended to supplement the TCA Policy and provide further guidance on this topic. It should be noted that no guideline can be all-inclusive and professional judgement must be exercised in applying this guideline to each circumstance.

Departments will be required to maintain appropriate supporting documentation to support the decision to capitalize certain expenditures which will be subject to testing by the Office of the Auditor General during its annual financial statement audit or during any value for money audits conducted.

Definitions

At the current time, the TCA Policy provides the following definitions:

**BETTERMENT**

The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

- there is an increase in the previously assessed physical output or service capacity;
- associated operating costs are lowered;
- the original useful life is extended; or
- the quality of output is improved.

Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for one currently used. A replacement on the other hand, is the substitution of a similar component.
Betterments are treated as tangible capital assets (set up as a sub-number of the related asset) and amortized accordingly. Replacements are treated as ordinary operating expenditures.

**REPAIRS AND MAINTENANCE**
The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition; they are charged to an expense account in the period in which they are incurred on the basis that it is the only period benefited. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

**Guideline Directives**
A number of factors must be considered when determining if an expenditure meets the criteria to be set up as a tangible capital asset.

**BETTERMENTS**
An expenditure that meets the definition of a betterment must also meet the threshold of the related class to be set up as a tangible capital asset before it is capitalized. The exception to this is building and school betterments which have a threshold of $150,000. Therefore, there may be situations where betterments are not capitalized due to the low dollar value of the expenditure.

**REPAIRS & MAINTENANCE**
In order for tangible capital assets to reach the estimated useful life, periodic maintenance is required over the life of the asset. The “normal” maintenance schedule of an asset may require maintenance every month or year, whereas others may require maintenance every five years or a combination of both. For some assets, this maintenance may be quite extensive and expensive but it would not qualify as a betterment due to the nature of the work performed.

**REPLACEMENTS**
The TCA Policy defines a replacement (which is an expense) as a substitution of a component of the asset with one of similar quality. This implies that no replacement could be capitalized as a betterment. However, some replacements can be considered betterments and capitalized under certain conditions when they are evaluated against
the criteria established. For example, a major roof replacement near the end of the useful life of a building enables the building to be used for a number of years past its useful life. This replacement may be of similar quality to the old roof but would meet the definition of a betterment base on the criteria. Therefore, it is important to review the expenditure in relation to the criteria to determine if it is capital in nature.

**PROJECT DEFINITION**
A project may qualify as a betterment under certain circumstances. The key determinants include total cost and purpose of the project. There has been some question as to what constitutes a project in relation to the Tangible Capital Assets Policy, particularly in the area of betterments to buildings. The following criteria have been developed to provide more guidance in this area.

A tangible capital asset project must meet the following criteria:

1. The project must be related to a specific asset.
2. The project must meet the criteria associated with betterments.
3. The project must exceed the relevant threshold level defined in the Tangible Capital Assets Policy.
4. The project objective must be specific and the work required to achieve the objective clearly defined. Some examples of project objectives are:
   - environmental
   - accessibility
   - program enhancements
   - building envelope (often environmental related)
5. The project work must be continuous in nature but take into account factors that may interrupt the work flow, such as:
   - weather
   - asset utilization constraints
   - working conditions
   - business cycle
   - seasonal restrictions

There may be cases where part of the project is completed and in use prior to the completion of the entire project, particularly where the project is broken into phases to accommodate asset utilization constraints (e.g., school—can only work on project during summer months). In these cases, the costs associated with the completed
phase should be transferred to a completed asset category once that phase has been put into use. The remaining project costs would be transferred to the completed asset once the project is complete and available for use.

**Decision Tree/Questions**
Departments may find it helpful to use the following decision tree/questions when determining if expenditures are capital (betterment) or operating (repairs/maintenance) in nature. It should be noted that the application of professional judgement is critical to the interpretation and use of these questions.

1. Does the expenditure extend the original useful life of the asset significantly?
   - **Yes**: Does the expenditure meet the threshold guidelines? If yes, then capitalize. If no, then expense.
   - **No**: Proceed to question 2.

2. Does the expenditure materially improve the property beyond its original condition?
   - **Yes**: Does the expenditure meet the threshold guidelines? If yes then capitalize. If no, then expense.
   - **No**: Proceed to question 3.

3. Does the expenditure increase the original assessed physical output?
   - **Yes**: Does the expenditure meet the threshold guidelines? If yes, then capitalize. If no, then expense.
   - **No**: Proceed to question 4.

4. Does the expenditure improve the quality of the output?
   - **Yes**: Does the expenditure meet the threshold guidelines? If yes, then capitalize. If no, then expense.
   - **No**: Proceed to question 5.

5. Does the expenditure result in an increase in the service capacity?
   - **Yes**: Does the expenditure meet the threshold guidelines? If yes then capitalize. If no, then expense.
   - **No**: Expense.
Tangible Capital Assets

Guideline 4: Capitalizing Salaries–Internal Staff

Overview
The purpose of this guideline is to provide clarification regarding the capitalization of salaries, which include related fringe benefits, of internal government staff, as recommended in the TCA Policy Review Report dated March 2004.

This guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and to provide further guidance on its application. It should be noted that this guideline is not all-inclusive and professional judgment must be exercised in applying it to individual circumstances.

When applying this guideline, all internal government staff should be considered.

Definitions
Public Sector Accounting Standard PS 3150.10 states:
“...The cost of a constructed asset would normally include direct construction or development costs (such as materials and labour), and overhead costs directly attributable to the construction or development activity...”

Section 4.3.6 of the TCA Policy states:
“Salaries will be capitalized as part of the asset cost only if those salaries relate directly to the project.”

Guideline Directives
DIRECTLY ATTRIBUTABLE COSTS (SHOULD BE CAPITALIZED)
Salaries relate directly to the project when the staff’s contribution to the project is directly attributable to the actual construction or development activity, including the design, of the related asset. Salary costs incurred during the construction or development period which are directly attributable to the project should be capitalized to the related asset.
Directly attributable salaries should only be capitalized for those capital projects whose total costs meet the capitalization threshold of the related asset class in the TCA Policy.

**MEASUREMENT**

Salary costs which are directly attributable should be allocated to the project on a pro rata basis such as actual hours/time worked on the project. For audit purposes, adequate supporting documentation for these salary costs should be maintained by the project.

Fringe benefits would include the employer’s cost, as well as vacation pay.

Administration fees relating to salaries should neither be billed nor capitalized under the TCA Policy.

The cost to backfill a staff person’s original position in the home organization should not be capitalized since the contribution of the backfill is not directly attributable to the actual construction or development of the related asset.

**ANCILLARY COSTS (SHOULD BE EXPENSED AS INCURRED):**

The salaries of staff whose contribution to a project is considered ancillary in nature should specifically be excluded from capitalization. The following are some examples of project roles/activities which are considered ancillary in nature:

- pre-project planning and scoping activities (e.g., studies and assessments including environmental and feasibility studies; strategic planning)
- support services (e.g., administrative support; Financial Services; Human Resources)
- a management support role to the project (e.g., Management Steering Committee)
- quality assurance (e.g., project audits)
- an advisory capacity to the project (e.g., attending workshops)
- end-user training (including preparation, delivering, and attendance)
- organizational change management (e.g., business process reengineering activities)
- ongoing support and maintenance
Tangible Capital Assets

Guideline 5: Assets Under Construction—Phased-In Approach

Overview

Certain projects are completed in defined phases instead of all at once. Normally, in these cases, project costs are accumulated in an asset under construction until a defined phase of the project has been completed. The costs are then transferred to the related asset in use and amortization commences to be charged.

This guideline is intended to supplement the Tangible Capital Assets (TCA) Policy by providing further guidance on its application regarding TCA projects using a phased-in approach. It should be noted that this guideline is not all-inclusive and professional judgement must be exercised in applying it to individual circumstances.

References

Appendix 14-B of the TCA Policy describes Assets Under Construction as “Some assets go through a period of construction before they are ready to be put into use. Costs related to assets under construction are accumulated in the asset under construction class and transferred to a regular asset class when the asset is ready for use.”

Appendix 14-C of the TCA Policy states “In the year of acquisition, amortization will be prorated from the month of purchase or the month the constructed asset is available for use.”

As part of the definition of amortization in Appendix 14-A, the TCA Policy states “Amortization of tangible capital assets does not commence until they are available for use.”

Guideline Directives

As project costs are incurred they are accumulated in the asset under construction class. Total project costs should be transferred to the related asset in use class when the asset is ready for use. The amortization of the asset will commence at this time.
There is an important distinction between when an asset is ready for use and when the asset is put into use. Costs should be transferred to the related asset in use class when the asset is ready for use, regardless of when the asset is put into use.

Many TCA projects are implemented using a phased-in approach or are rolled-out with staggered implementation dates. The most common type of projects are associated with the development of customized software, although other projects such as building construction may also use the phased-in approach.

Projects may be phased-in for a number of reasons such as geographic location (e.g., county by county), entity basis (e.g., hospital by hospital), functionally (e.g., general ledger, payroll, accounts payable) or component basis (e.g., building wing by building wing).

Costs for each phase should be tracked separately and as accurately as possible. Using the asset sub-number feature in the SAP Asset Management (AM) module enables departments to track costs by phase, but keeps the total project costs together. As each phase is completed and ready for use, the costs should be transferred from the asset under construction to the appropriate asset in use class so that amortization commences at that time for that phase. Therefore, it is possible that each phase of the project would have different amortization start dates.

While a project may be constructed in phases, there are often initial costs incurred that, while they relate to all phases, must be incurred to complete the initial phase. These may be referred to as foundation costs. The allocation of foundation costs to the different phases of a project must be reviewed and assessed on a project by project basis. However, if the foundation costs would have been incurred regardless of the number of phases in the project, then it would be appropriate to allocate the foundation costs to Phase 1 and move these costs to the appropriate asset in use class when Phase 1 is ready for use.

Allocating the foundation costs to the different phases should only take place if certain foundation costs can be clearly linked to the subsequent phases and were not necessary for the first phase to be available for use.

The examples below should provide more clarification.
EXAMPLES

**Financial System Implementation**

A department may develop a financial system in three phases - Phase 1 Development of the general ledger; Phase 2 Development of an integrated accounts payable module; and Phase 3 Development of a payroll module.

Each phase of the project should be accounted for as a separate sub-number in the SAP AM module. However, there may be certain costs that, while relevant to all phases, must be incurred before any phase can be completed, such as user setup and password tables, business area tables, etc. These costs would be considered foundation costs and should be associated with Phase 1 of the project. Once the general ledger phase is completed and available for use, the costs would be transferred to the asset in use class, including the foundation costs, and amortization would commence.

**Province-wide system (e.g., email)**

The Province may decide to implement a new email system for all of government, but roll-out the system to users on a department by department basis or county by county basis. Again, there would be certain costs that would have been incurred regardless of how many departments use the new email system. For example, initial software licensing fees, consultants’ fees, etc., all would have been incurred regardless of the number of departments using the new system. These costs would be considered foundation costs and should be associated with Phase 1 of the project and moved to the asset in use class when the first roll-out of the system takes place.
Tangible Capital Assets

Guideline 6: Demolition Costs

Overview
The purpose of this guideline is to provide clarification regarding the accounting treatment for demolition costs related to buildings.

The following guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and provide further guidance on its application. It should be noted that this guideline is not all inclusive and professional judgment must be exercised in applying it to each circumstance.

References
Public Sector Accounting Standard PS 3150.13 states:

“When, at the time of acquisition, a portion of the acquired tangible capital asset is not intended for use, its costs and any costs of disposal, net of any estimated proceeds, are attributed to that portion of the acquired tangible capital asset that is intended for use. For example, the cost of acquired land that includes a building that will be demolished includes the cost of the acquired property and the cost of demolishing the building.”

Public Sector Accounting Standard PS 3150.39 states:

“Disposals of government tangible capital assets in the accounting period may occur by sale, destruction, loss or abandonment. Such disposals represent a reduction in a government’s investment in tangible capital assets, regardless of how that investment is reported.”

Definition
The TCA Policy provides the following definition:

COST
Cost is the gross amount of consideration given up to acquire, construct, develop or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development or betterment of capital assets including installing it at
the location and in the condition necessary for its intended use. Contributions are not to be netted against the cost of the related tangible capital asset. Salaries will be capitalized as part of the asset cost only if those salaries relate directly to the project.

Discussion

Generally, costs of demolition are expenses in the period in which they are incurred except for the purchase of land and building with the intention to demolish the building. Some situations are described below to illustrate application of proper accounting:

**DEMOLITION COSTS AS OPERATING EXPENSE**

When land is already owned and contains a building that has been declared to have no further use, the building is deemed to be “an impaired asset”. For example, the building may be unsafe or is no longer needed for operations. A decision is made to demolish the building for safety reasons and the land will be left cleared. The building’s net book value should be written down to zero and the cost of demolishing such a building would be charged to expense as incurred.

**DEMOLITION COSTS AS COST OF LAND**

When land and building are purchased, and when at that time the building is not intended for use and will be demolished, the building demolition costs should be capitalized as part of the acquisition cost of the land. These costs are necessary site preparation costs to prepare the land for its intended use.

**DEMOLITION COSTS AS COST OF BUILDING**

When an existing building is being demolished for the purpose of constructing a new building on the same site, the net book value of the existing building should be written down to zero. The demolition costs should be capitalized as part of the cost of the new building as these costs are attributable to creating the new construction project.
Tangible Capital Assets

Guideline 7: Building/School Betterments

Overview
Further to Guideline 3 Maintenance/Repairs versus Betterments, the purpose of this guideline is to provide clarification regarding the accounting treatment of building/school betterments.

The following guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and provide further guidance on this topic. Please note that this guideline is not all inclusive and professional judgment must be exercised in applying this guideline to each circumstance.

Departments will be required to maintain appropriate supporting documentation to support the decision to capitalize certain expenditures which will be subject to testing by the Office of the Auditor General during its annual financial statement audit or during any value for money audits conducted.

Reference
Public Sector Accounting Standard PS 3150.19 states:

“Costs of betterments are considered to be part of the cost of a tangible capital asset and would be added to the recorded cost of the related asset. A betterment is a cost incurred to enhance the service potential of a tangible capital asset. In general, for tangible capital assets other than complex network systems, service potential may be enhanced when there is an increase in the previously assessed physical output or service capacity, where associated operating costs are lowered, the useful life of the property is extended or the quality of the output is improved.”

Definitions
The TCA Policy provides the following definitions:

BETTERMENT
The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

• there is an increase in the previously assessed physical output or service capacity;
Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for the one currently used. A replacement on the other hand, is the substitution of a similar component.

**REPAIRS AND MAINTENANCE**
The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition; they are charged to an expense account in the period in which they are incurred on the basis that it is the only period benefitted. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

**General Discussion**
Building/school betterments relate to provincially owned buildings/schools or those under a finance lease.

**THRESHOLD**
An expenditure that meets the definition of a betterment must also meet the threshold of the related asset class to be set up as a tangible capital asset before it is capitalized. Therefore, there may be situations where betterments are not capitalized due to the low dollar value of the expenditure. The thresholds are provided in Appendix 14-C of the TCA Policy.

**EXPENDITURES SUBSEQUENT TO ACQUISITION/CONSTRUCTION**
Expenditures which may be incurred subsequent to acquisition/construction of a building/school include:

- repairs and maintenance
- replacements
- betterments
- additions
- alterations and renovations
In determining if expenditures subsequent to acquisition/construction are capital or operating in nature, the expenditures have to be evaluated against the criteria of a betterment to determine whether or not the service potential of the asset has been enhanced. As the name implies, the result should be better - not just new or more attractive, but better in terms of enhanced service potential of the asset. This means the result should be an increase in service capacity, lower associated operating costs, an extended useful life, or an improved quality of output.

The Decision Tree/Questions section is provided in Guideline 3 Maintenance/Repairs versus Betterments to assist in the determination of whether expenditures are capital or operating in nature.

If the expenditure fails to meet the criteria of a betterment, then it should be classified as an operating expense and recorded in the period incurred.

**REPAIRS AND MAINTENANCE**

Repairs and maintenance maintain the service potential of a tangible capital asset and should be charged to operating expense as incurred. Examples of repairs and maintenance related to buildings/schools include structural repairs; roof repairs; repairs to windows; masonry repairs; repairs to shingles; painting; caulking; weather stripping.

Repairs to restore an asset partially damaged by fire, flood, accident or other similar events, to the condition just prior to the event, should be charged to operating expense. The expenditure is simply restoring the asset to its original condition.

**REPLACEMENTS**

The TCA Policy defines a replacement (which is an expense) as a substitution of a component of the asset with one of similar quality. This implies that no replacement could be capitalized as a betterment. However, some replacements can be considered betterments and capitalized under certain conditions when they are evaluated against the criteria of a betterment, and meet the threshold. Therefore, it is important to assess if the expenditure has enhanced the service potential of the asset to determine if it is capital in nature.

The following are examples of expenditures which are operating in nature in one situation, and are capital in nature in a different situation, depending upon the specific circumstances of each situation:
Example - New Roof

Operating

Maintenance - Original useful life is maintained
A new roof may be a normal maintenance cost which is required in order to maintain the original useful life of the existing building. Without this expenditure, the building would not last the original useful life. Since this new roof does not extend the original useful life, but rather simply maintains it, it does not meet the criteria of a betterment. As a result, the expenditure is a replacement and should be charged to operating expense.

Capital

Service potential is enhanced
If the new roof is the substitution of a better quality component such as an old wood shingle roof with a modern fireproof tile roof, this new roof results in enhanced service potential. As a result, it meets the criteria of a betterment and should be capitalized, provided it meets the threshold.

Capital

Original useful life is extended
If a new roof is installed near the end of the useful life of the building, and it is determined that the new roof extended the original useful life, this new roof enhances the service potential. Although the substitution may be of similar quality to the old roof, it meets the criteria of a betterment because it has extended the original useful life. As a result, the expenditure should be capitalized, provided it meets the threshold.

Example - New Windows

Operating

Maintenance - Original useful life is maintained
New windows may be a normal maintenance cost which is required in order to maintain the original useful life of the existing building. Since the new windows do not enhance the service potential, the criteria of a betterment is not met. As a result, the expenditure is a replacement and should be charged to operating expense.
Capital

Associated operating costs are lowered
If the new windows are the substitution of a better quality component such as substituting old windows with new energy saving windows, and it is determined that the new windows would lower associated operating costs, the new windows would meet the criteria of a betterment. As a result, the expenditure should be capitalized, provided the threshold is met.

Example - New Floor

Operating

Maintenance
The substitution of a wooden floor with another wooden floor would not meet the criteria of a betterment if the substitution is of a similar quality and service potential is not enhanced. As a result, the expenditure is a replacement and should be charged to operating expense.

Capital

Enhanced service potential
If a wooden floor is removed and a new concrete floor is installed, this would meet the criteria of a betterment as the substitution is of a better quality which would enhance the service potential. As a result, the expenditure should be capitalized, provided the threshold is met.

BETTERMENTS

Betterments related to buildings/schools would include the following:

• Significant improvements beyond the original construction specifications to the building envelope or building services.

The building envelope consists of the external elements, including walls, floors, ceilings, roofs, windows and doors, of a building that enclose conditioned spaces. The following is an example of an improvement to the building envelope:

• structural improvements such as strengthening the foundation of a building

Building services include energy supply - gas, electricity and renewable energy sources; heating and air conditioning; water, drainage and plumbing; natural and artificial lighting, and building facades; escalators and lifts; ventilation and
refrigeration; communication lines, telephones; security and alarm systems; and fire detection and protection. The following are examples of significant improvements to building services that would lower associated operating costs, be more environmentally friendly, or improve the quality of output:

- significant improvement of the electrical system in a building;
- significant improvement of the plumbing system by using a newly developed plastic tubing system in place of the original cast iron pipes and copper tubing;
- significant improvement of the plumbing system by installing low-flow toilets throughout an entire building in place of the original toilets;
- the addition of an air conditioning system to a building which did not previously have an air conditioning system

- Required improvements to become compliant with The National Building Code (NBC), provincial building regulations, and other evolving standards as required by law to ensure public safety or to meet environmental standards, where the standard improves the building’s quality of output. These improvements could relate to safety; health; accessibility; or, fire and structural protection of a building.

ADDITIONS
Additions include extensions, enlargements, or expansions of an existing asset. Since additions increase the service capacity of an asset, they are typically capital in nature, provided the expenditure meets the threshold. The following is an example of an addition:

- the expansion of square footage of an existing building by the addition of a new wing, floor, or room increases the physical capacity of the building

ALTERATIONS AND RENOVATIONS
Nature of work
With alterations and renovations, it is important to evaluate the nature of the work (versus the scope in terms of dollar value). Alterations and renovations of a significant dollar value are not necessarily capital - the objective of the work being completed must be considered. Alterations and renovations must be evaluated against the criteria of a betterment to determine if the expenditure is capital in nature. The result of the alterations and renovations should be better - not just new or more attractive, but better in terms of enhanced service potential of the building/school.
Alterations and renovations which are cosmetic in nature do not enhance the service potential of a building/school and should be charged to operating expense. The following are examples of cosmetic alterations and renovations that do not meet the criteria of a betterment:

- replacement of carpet;
- painting of walls;
- replacement of window coverings (e.g., window blinds);
- ceiling tile replacement;
- replacement of doors and related hardware

Minor alterations and renovations which would not enhance the service potential of a building/school should be charged to operating expense. The following are examples of minor alterations and renovations that do not meet the criteria of a betterment:

- renovations to a small area of a building;
- renovations to a washroom such as re-tiling the interior and replacing faucets and toilet fixtures;
- the removal of a wall;
- the construction of an office in currently occupied space;
- minor layout changes or re-arrangement of existing occupants

Alterations and renovations which are required due to a change in use of space and are making the space suitable for its intended purpose would enhance the service potential of the asset. As a result, the related expenditure should be capitalized, provided the expenditure meets the threshold. The following is an example of a change in use of space:

- the converting of office space to a laboratory

Significant alterations and renovations which would result in enhanced service potential of a building/school should be capitalized, provided the threshold is met. The following are examples of significant alterations and renovations that meet the criteria of a betterment:

- the complete “gutting out” and renovation of an entire building near the end of its estimated useful life results in extending the building’s original useful life;
- the conversion of a basement, an attic, meeting rooms or boardrooms into usable office space results in an increase in service capacity of the building
For those alterations and renovations in which the nature of work consists of both an operating and a capital component, the operating costs should be expensed provided they are not trivial, and the capital costs should be capitalized provided they meet the threshold.
Tangible Capital Assets

Guideline 8: Leasehold Improvements

Overview

Clarification has been requested relating to the classification of leasehold improvements for accounting purposes.

The following guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and provide further guidance on its application. It should be noted that this guideline is not all inclusive and professional judgement must be exercised in applying it to each circumstance.

Definitions

The TCA Policy provides the following definitions:

LEASEHOLD IMPROVEMENTS
Leasehold improvements are additions, improvements or alterations made by the lessee to leased property that cannot be removed upon termination of the lease because they are attached to, or form part of the leased premises.

BETTERMENT
The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

• there is an increase in the previously assessed physical output or service capacity;
• associated operating costs are lowered;
• the original useful life is extended; or,
• the quality of output is improved.

Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for the one currently used. A replacement on the other hand, is the substitution of a similar component.
REPAIRS AND MAINTENANCE

The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition; they are charged to an expense account in the period in which they are incurred on the basis that it is the only period benefitted. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

General Discussion

THRESHOLD

In order to be capitalized, expenditures relating to leasehold improvements must meet the threshold of the leasehold improvements asset class as indicated in Appendix 14-C of the TCA Policy.

Leasehold improvements relate to property which is subject to an operating lease. Leasehold improvements should be similar to betterments (which relate to provincially owned property or property under a capital lease) and should enhance the service potential of the leased property.

To be capitalized as a leasehold improvement, the improvement must have the following characteristics:

• the improvement must be made to leased property which is subject to an operating lease;
• the lessee must pay for the improvement (either up front or over the remaining term of the lease);
• the improvement must provide benefits that are long-term in nature (i.e., extend beyond one year); and
• the improvement becomes part of the property and reverts to the lessor upon termination of the lease.

Leasehold improvements are amortized on a straight line basis over the remaining term of the lease.
Expenditures Which Meet the Criteria of Leasehold Improvements
The following are examples of expenditures which meet the criteria of leasehold improvements and should be capitalized, provided the threshold is met:

• alterations required to a new leased property to make it suitable for its intended purpose;
• alterations required due to a change in use of space of the leased property;
• significant improvement to the building envelope or building services of the leased property;
• significant alterations and renovations which would enhance the service potential of the leased property;
• additions to the leased property, including extensions, enlargements or expansions

Expenditures Which Do Not Meet the Criteria of Leasehold Improvements
The following are examples of expenditures which do not meet the criteria of leasehold improvements and should be charged to operating expense:

• repairs and maintenance;
• alterations which are cosmetic in nature, such as painting and carpeting;
• minor alterations which do not enhance the service potential of the leased property;
• moving costs associated with moving into the leased property
Tangible Capital Assets

Guideline 9: Dykeland Systems

Overview
Dykeland systems, by their very nature, have unique characteristics and therefore require specific guidance on the appropriate accounting treatment of all costs related to the construction and betterment of these systems.

This guideline is intended to supplement the Tangible Capital Assets (TCA) Policy and to provide further guidance on its application as it relates to dykeland systems. It should be noted that this guideline is not all-inclusive and professional judgment must be exercised in applying it to individual circumstances.

Definitions
The TCA Policy provides the following definitions:

BETTERMENT
The cost incurred to enhance the service potential of a tangible capital asset is a betterment. Service potential is enhanced if one of the following occurs:

• there is an increase in the previously assessed physical output or service capacity;
• associated operating costs are lowered;
• the original useful life is extended; or,
• the quality of output is improved.

Betterments and replacements include additions to a tangible capital asset or a substitution of a component part of a tangible capital asset. The distinguishing feature between a betterment and a replacement is that a betterment is the substitution of a better component for the one currently used. A replacement on the other hand, is the substitution of a similar component.

Betterments are treated as tangible capital assets (set up as a sub-number of the related asset) and amortized accordingly. Replacements are treated as ordinary operating expenditures.
COST
Cost is the gross amount of consideration given up to acquire, construct, develop, or better a tangible capital asset and includes all costs directly attributable to acquisition, construction, development, or betterment of capital assets including installing it at the location and in the condition necessary for its intended use. Contributions are not to be netted against the cost of the related tangible capital asset. Salaries will be capitalized as part of the asset cost only if those salaries relate directly to the project.

PROJECT DEFINITION
A project may qualify as a betterment under certain circumstances. The key determinants include total cost and purpose of the project. There has been some question as to what constitutes a project in relation to the Tangible Capital Assets Policy, particularly in the area of betterments to buildings. The following criteria have been developed to provide more guidance in this area.

A tangible capital asset project must meet the following criteria.

I. The project must be related to a specific asset.
II. The project must meet the criteria associated with betterments.
III. The project must exceed the relevant threshold level defined in the Tangible Capital Assets Policy.
IV. The project objective must be specific and the work required to achieve the objective clearly defined. Some examples of project objectives are:
   o environmental
   o accessibility
   o program enhancements
   o building envelope (often environmental related)
V. The project work must be continuous in nature but take into account factors that may interrupt the work flow such as:
   o weather
   o asset utilization constraints
   o working conditions
   o business cycle
   o seasonal restrictions

1 From TCA Policy Guideline 3: Maintenance/Repairs versus Betterments.
There may be cases where part of the project is completed and in use prior to the completion of the entire project, particularly where the project is broken into phases to accommodate asset utilization constraints (e.g., school - can only work on project during summer months). In these cases, the costs associated with the completed phase should be transferred to a completed asset category once that phase has been put into use. The remaining project costs would be transferred to the completed asset once the project is complete and available for use.

REPAIRS AND MAINTENANCE

The cost incurred in the maintenance of the service potential of a tangible capital asset is a repair, not a betterment.

Ordinary repairs are expenditures made to maintain assets in operating condition; they are charged to an expense account in the period in which they are incurred on the basis that it is the only period benefitted. Replacement of minor parts, lubricating and adjusting of equipment, repainting and cleaning are examples of the type of maintenance charges that occur regularly and are treated as ordinary operating expenses.

General Directives

ASSET CLASSES

There are three classes of assets in a dykeland system – dykeland formation, dykeland aboiteau, and dykeland gate. A dykeland system construction or betterment may contain assets in one or more of these asset classes. Each of these classes amortizes at the rate appropriate for its class, reflecting the asset’s useful life. There is an individual threshold for each asset class, when purchased, developed or replaced separately. There is a combined project threshold, for a project involving two or more of these three asset classes. This is necessary because dykeland system project work can take various forms. Some projects include all three components. Sometimes a dykeland is significantly elevated or reshaped, without the need of an aboiteau or gate. Additionally, throughout the useful life of a particular dykeland system, one or more replacement gate(s) and/or aboiteau(x) may be required.

Asset class definitions are found in Chapter 14.1 – Tangible Capital Assets – Appendix 14-B. Thresholds and amortization rates are outlined in chapter 14.1 Tangible Capital Assets - Appendix 14-C.

DYKELAND SYSTEM PROJECT COSTS
All system project costs incurred in the construction or betterment of dykelands, aboiteaux, and gates that are considered capital in nature are capitalized, if the project cost meets the appropriate threshold. Capital project costs may include such things as material, construction costs, installation costs, labour, and project-specific design costs. Costs may include internal salaries, to the extent that they meet the criteria in TCA Policy Guideline 4 – Capitalization of Internal Salaries. Capital costs do not include network design costs involved in planning and designing the overall dykeland systems in the Province.

Costs are combined into one project to measure against the threshold if these costs are all necessary in the protection of a defined area of land. To be considered one system or project, the costs incurred for the work done must be interdependent and necessary to meet that project’s objective. If work can be done independently for two different marshland areas, they are not combined to assess against the project threshold. Professional judgment is required and project definition should be supported by field experts in determining what work needs to be combined to achieve a specific objective for that particular area.

To ensure appropriate record keeping, project and asset names should be derived using a standard naming convention. Marshland project names from the existing marshland study is an appropriate method to define these projects, realizing that work may need to be done in a continuous area or in multiple areas around a particular marsh.

Even though costs are combined to be assessed against the threshold, project costs that have two or more asset classes are capitalized in their respective asset classes, and will amortize at the defined rate for each class.

If a project includes capital costs that relate only to the dykeland formation itself, it is assessed against the individual class threshold for capitalization. The threshold is set at a level to capture the most significant dykeland betterments. This would normally involve considerable or complete reformation or reshaping of the dykeland e.g. significantly higher elevation to meet new standards.

When a replacement aboiteau or gate is required, each component is capitalized if it meets the individual threshold for capitalization. The old aboiteau and/or gate is retired in SAP, regardless of whether or not the replacement is recorded as capital or as an operating expense.
Repairs and maintenance items related to dykelands include such things as re-seeding or re-grassing to replace what has washed away, and the replacement of gate components (gate arms, pivot lugs, etc.). These items are treated as operating expenses.

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<td>Treasury and Policy Board</td>
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Chapter 15: Accounts Payable
15.1 Accounts Payable

Policy Statement
The purpose of the policy is to set government-wide standards for accounts payable management and to create a government-wide framework that can be used to establish procedures for individual departments.

Policy Objective
The objective of the policy is to establish a framework that will lead to procedures that are consistent across all government departments yet flexible in order to deal with a variety of situations in the most efficient and effective manner possible to facilitate prudent cash management practices.

Application
The policy applies to all users of the government’s Accounts Payable module of SAP to enter its expenses and record liabilities.

Policy Directives

ROLES AND RESPONSIBILITIES
Each department initiates payment processing for the purchase of its own goods and services by the day-to-day entry of accounts payable invoices. Government Accounting is responsible for printing and mailing disbursements to vendors on the behalf of the Province of Nova Scotia. The Payment of Accounts Section, Government Accounting, provides a central payment of accounts system for government, which makes disbursements of accounts and cheque mail-out processes a central function.

Inquiries relating to the outstanding balances of accounts payable accounts are to be directed to the accounts payable section of the departments involved.

TRANSACTION CODING
The transaction coding process is a key accounts payable function. Expenditures are to be recorded in a consistent manner across departments to ensure that account coding reflects accurately the nature of the transaction, regardless of other issues such as budgetary funding or payee. A data dictionary (see Chapter 6.3) has been developed to help define how government expenditures should be coded. Also,
supplement coding needs to be accurate to facilitate legislated reporting in the Public Accounts.

**DISCOUNTS**
It is government policy to take and record all vendor discounts available through accounts payable invoicing. Discounts not taken are to be recorded as discounts lost by each department and then cleared to the applicable expense account.

**MONTH END PROCEDURES**
Departments are responsible for entering the accounts payable invoices on a timely and accurate basis so that expenditures are recorded within the same time frame as they are incurred. Accounts payable invoices that are not processed within the required cut-off dates are to be reviewed for significance and accrual entry, if appropriate, by the applicable financial authority for each department. The intent of this directive is to ensure that the accounts payable function supports the timely and accurate reporting of government liabilities for the expenditure reporting periods, i.e., month-end and year-end.

Government Accounting advises departments of the accounts payable cut-off dates, by way of an annual memorandum. For information purposes, the cut-off date is normally the fifth working day of the following month. Accounts payable cut-off has been separately defined in Chapter 6.2 Month End/Year End Procedures.

**VENDOR MASTER FILE**
Vendor master file records will be maintained centrally. This reduces database storage requirements as well as duplication of vendor records. All departments will access the central records and will request additional vendor master records to be set up as needed. (See Chapter 15.2 Vendor Master File Policy and Procedures).

**SEGREGATION OF DUTIES**
For internal control purposes, staff that are responsible for processing accounts receivable must not handle or be responsible for the processing of accounts payable payments.

**INTEREST ON VENDOR ACCOUNT**
It is government policy not to pay interest to any vendors for overdue account balances.

**RECONCILIATION**
At least annually, Government Accounting will compare interdepartmental accounts
receivable and accounts payable on a government-wide basis. Departments will be notified of any significant differences and will be asked to resolve the differences.

**CFMS - ACCOUNTS PAYABLE SYSTEM OVERVIEW**

The individual components of the SAP system used to process accounts payable are identified as activities

- CCIA0100 Maintain vendor master file
- CCIA0200 Maintain one-time vendors
- CCIB0100 Process invoices and cheque requisitions without purchase order
- CCIB0200 Process credits
- CCIB0300 Process invoices and cheque requisitions with purchase order
- CCIB0400 Process progress payments
- CCIB0500 Process holdbacks
- CCIB0600 Process advances
- CCIB0700 Process U.S. funds documents
- CCIB0800 Schedule A/P voucher load
- CCIB0900 Process one-time vendor documents
- CCIC0100 Process purchase order commitments
- CCIC0200 Process commitment reliefs
- CCIC0300 Process commitment suspense
- CCIC0400 Process recurring payments
- CCIC0500 Process commitments adjustments
- CCIC0600 Produce cheques for recurring payments
- CCIC0700 Perform year-end commitment procedures
- CCIC0800 Create posting documents from recurring documents
- CCID0100 Issual manual cheques
- CCID0200 Issue system cheques
- CCID0300 Issue foreign drafts
- CCIE0100 Reconcile accounts payable control account
- CCIF0100 Cancel cheques
- CCIG0100 Close A/P
- CCIG0200 Archive files
- CCIG0300 Issue T4As
- CCIG0400 Process AGR-1(A) forms (Dept of Agriculture)
- CCIG0500 Generate reports
- CCIH0100 Update advances and travel details
- CCIH0200 Produce confirmation letters/utilization reports
- CCIH0300 Produce reminder notices for temporary advances
- CCIH0400 Maintain car allowance information
- CCIH0500 Perform file maintenance
- CCIH0600 Perform month-end procedure
- CCII0100 Administer procurement card system
Accountability

Government Accounting is responsible for setting the objectives of the policy. Those who use SAP to record accounts payable are required to implement the objectives of the policy document.

Monitoring

Government Accounting will monitor the policy for compliance and changes as required.

Enquiries

Accounts Payable Processing, Government Accounting, Department of Finance

(902) 424-6626

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<td>Approved by:</td>
<td>Executive Council</td>
<td>Administrative update:</td>
<td>November 23, 2009</td>
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15.2 Vendor Master File Policy and Procedures

Policy Statement
The purpose of this policy is to maintain an accurate database on vendor master files within the accounts payable section of the CFMS. This policy was created in order to maximize efficiency within the AP function so that occurrences of duplicate vendors and vendor information inaccuracies are avoided. This policy will define the procedures for requesting, creating, and maintaining the vendor master files.

Application
This policy applies to all SAP user departments, agencies, boards, commissions, and Crown corporations of the province using the SAP system for settlement of their vendor accounts.

Definitions
SAP
The province’s integrated financial software modules

CFMS
Corporate Financial Management System

AP
Accounts payable

Accountability
Government Accounting Division, Department of Finance, is responsible for the creation and maintenance of the accounts payable vendor master files within SAP.

Government departments are responsible for ensuring that the files are well searched before requesting new vendor creations to avoid duplicate requests.
Monitoring

Government Accounting will monitor the application of the AP policy on vendor master files for value-added changes as required.

Policy Directives

Vendor Create/Change Authorization
Vendor Master Search
Vendor Request to Create/Change/New
Vendor Block Request
Vendor Delete Request
Standard Abbreviations
Standard Guidelines

VENDOR CREATE/CHANGE AUTHORIZATION
Each department/agency, etc., must submit a completed Vendor Create/Change Authorization form (Appendix 15-A) to the Government Accounting Division, Department of Finance, which will identify the individuals who have been given authority to request create/changes to the SAP vendor master files. Departments are responsible for ensuring that revised authorization forms are submitted to the Department of Finance whenever a change is warranted. Government Accounting will maintain a log of all active authorizations and will request confirmations and replacements (if necessary) on a regular basis. Authorized designations will be at the department’s discretion. A director’s approval must be personally signed (not typed) by the director.

VENDOR MASTER SEARCH
The following path in SAP should be used to locate vendors that are on file:

Accounting > Financial accounting > Accounts payable > Master records > Display

Vendor files can be searched using any one and/or combination of data fields found on the value range for search screen. User-conducted searches, which can be by name, by postal code, and by social insurance number (when appropriate), must be carried out before the Vendor Create Request form is completed for a new vendor. For further information refer to the CFMS training manual, AP section.
VENDOR REQUESTS

Vendor Create Request

Once all the possible search opportunities have been completed, departmental
AP staff may complete the Vendor Create Request form (Appendix 15-B). The
completed form must be signed by an individual who is authorized according to
the Vendor Create/Change Authorization procedures above. Any requests received
that are not properly authorized will be returned for resubmission. Each request
for a new vendor create must be accompanied by a copy (do not send originals)
of an invoice/requisition or letterhead to verify the create information. If there
is a vendor account for which you always enter a payment method supp code
(return to code), the vendor master file has a field that can be populated, and it will
automatically transfer to that field during invoice entry.

This should be used only for vendors that are used only by your department such
as employee or certain one-time vendors. Completed forms may be submitted to
the vendor master via interdepartmental mail or by fax at (902) 424-2777.

Vendor Change Request

If a vendor is already on file but a change in the data is warranted, complete a
Vendor Change Request form (Appendix 15-C). The completed form must be
signed by an individual who is authorized according to the Vendor Create/Change
Authorization procedures above. Any requests received that are not properly
authorized will be returned for resubmission. Each request for a change of vendor
information must be accompanied by a copy (do not send originals) of an invoice/
requisition or letterhead to verify the revised information. Completed forms may
be submitted to vendor master via interdepartmental mail or by fax at (902) 424-
2777. Government Accounting, upon the receipt of a properly authorized Vendor
Change Request form and appropriate documentation, will revise the vendor
master file as necessary.

Create New Vendor File

Government Accounting, upon the receipt of a properly authorized Vendor Create
Request form and appropriate supporting documentation, will conduct a search of
the vendor master file to verify that a new vendor is necessary. The new vendor
can be created by selecting

Accounting > Financial accounting > Accounts payable > Master records >
Create.
VENDOR BLOCK REQUEST
Vendors may be blocked for posting by the Government Accounting Division of the Department of Finance, the most common reasons being vendor duplication and third party demands. Before any vendor is blocked, an examination should be done to see if there are any open items in the vendor file and to determine, based on the reason for blocking, if the vendor should be blocked before or after the next cheque run. To block a vendor for posting, use the menu path

Accounting > Financial accounting > Accounts payable > Master Records > Block/unblock.

Note: To unblock a previously blocked vendor, follow the above steps and remove the check mark from the posting block field, change the Search term description, and delete the AP text data. For further information refer to AP section of CFMS training manual.

VENDOR DELETE REQUEST
Only SAP programing staff have the ability to actually delete vendor files from the system on the request and authorization from Government Accounting. Only files without transactions posted against them should be flagged for deletion, and these vendor masters should also be “blocked” so no transactions can be entered between the date they are flagged and the date they are deleted. To flag a vendor master file for deletion, use the following menu path:

Accounting > Financial accounting > Accounts payable > Master Records > Mark for deletion.
STANDARD ABBREVIATIONS

If the vendor name ends with:

**NOTE:** If these words are **not** at the end of the vendor’s name, the word should be typed in full.

There are no periods after these abbreviations.

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</tr>
<tr>
<td>Company</td>
<td>Co</td>
<td>Incorporated</td>
<td>Inc</td>
</tr>
<tr>
<td>Company Limited</td>
<td>Company Ltd</td>
<td>Limited</td>
<td>Ltd</td>
</tr>
<tr>
<td>Corporation</td>
<td>Corp</td>
<td>Society</td>
<td>Soc</td>
</tr>
</tbody>
</table>

For address:

**NOTE:** In the street field, there are no periods after these abbreviations.

<table>
<thead>
<tr>
<th>Term</th>
<th>Abbrev</th>
<th>Term</th>
<th>Abbrev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Avenue</td>
<td>Ave</td>
<td>Building</td>
<td>Bldg</td>
</tr>
<tr>
<td>Boulevard</td>
<td>Blvd</td>
<td>Centre</td>
<td>Ctr</td>
</tr>
<tr>
<td>Circle</td>
<td>Cir</td>
<td>Floor</td>
<td>Fl</td>
</tr>
<tr>
<td>Court</td>
<td>Crt</td>
<td>Room</td>
<td>Rm</td>
</tr>
<tr>
<td>Crescent</td>
<td>Cres</td>
<td>Site</td>
<td>Site</td>
</tr>
<tr>
<td>Highway</td>
<td>Hwy</td>
<td>Suite</td>
<td>Ste</td>
</tr>
<tr>
<td>Lane</td>
<td>Lane</td>
<td>Unit</td>
<td>Unit</td>
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<tr>
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<td>Comp</td>
</tr>
<tr>
<td>Road</td>
<td>Rd</td>
<td>Station</td>
<td>Stn</td>
</tr>
<tr>
<td>Street</td>
<td>St</td>
<td>Parkway</td>
<td>Pky</td>
</tr>
<tr>
<td>Terrace</td>
<td>Terr</td>
<td>Post Office Box</td>
<td>PO Box</td>
</tr>
<tr>
<td>Subdivision</td>
<td>Subdiv</td>
<td>Rural Route</td>
<td>RR#</td>
</tr>
<tr>
<td>Drive</td>
<td>Dr</td>
<td>Apartment Number</td>
<td>Apt#</td>
</tr>
<tr>
<td>Way</td>
<td>Way</td>
<td>Third Floor</td>
<td>3rd Fl</td>
</tr>
<tr>
<td>Square</td>
<td>Sq</td>
<td>Suite No. 100</td>
<td>Ste#100</td>
</tr>
<tr>
<td>Apartment</td>
<td>Apt</td>
<td>Station A</td>
<td>Stn A</td>
</tr>
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</table>

For individuals with titles:

**NOTE:** These titles will be before the given name with no periods used.

<table>
<thead>
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</thead>
<tbody>
<tr>
<td>Doctor</td>
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<tr>
<td>Honourable</td>
<td>Hon</td>
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<tr>
<td>Reverend</td>
<td>Rev</td>
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<tr>
<td>Sister</td>
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</tbody>
</table>

For directions:

<table>
<thead>
<tr>
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<th>Abbrev</th>
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<td>North</td>
<td>N</td>
</tr>
<tr>
<td>Northwest</td>
<td>NW</td>
</tr>
<tr>
<td>South</td>
<td>S</td>
</tr>
<tr>
<td>Southeast</td>
<td>SE</td>
</tr>
<tr>
<td>East</td>
<td>E</td>
</tr>
<tr>
<td>North Northeast</td>
<td>NNE</td>
</tr>
<tr>
<td>West</td>
<td>W</td>
</tr>
<tr>
<td>etc.</td>
<td></td>
</tr>
</tbody>
</table>
STANDARD GUIDELINES

• All names and addresses are to be typed in all capital (upper case) letters.
• The name field (four lines) is to include only the vendor’s name. No part of the address is to appear in the name field under any circumstances.
• All payments made to the federal government are made payable to the Receiver General. However for Supplement to the Public Accounts purposes the area of government is reported, and therefore these transactions must be supplementary coded. To assist the users in selecting the proper supp code, the text field should contain the corresponding supplement code to use.
• When requesting a vendor for a legal firm/lawyer “in trust” for an individual or company, the vendor should be created in the name of the Legal firm/Lawyer “in trust” only, and the name of the individual or company can be entered in the Line Item Text field during data entry or documented in an accompanying letter with the cheque.
• When a vendor is created for an individual, the first and last names are essential. Additional names should also be provided when possible to avoid duplication, but under no circumstances will the vendor be created using only initials and the last name. The Social Insurance Number is also required if you are making taxable benefit payments.
• When “Nova Scotia” appears in a vendor’s name, it will be printed in full (no abbreviations).
• When the word “and” appears in a vendor’s name, it will be typed in full unless the symbol (&) appears in the company’s invoice/letter, in which case the symbol will be used in the vendor master. Vendor masters created for joint payees will have “and” typed in full between the two names.
• When entering an individual’s name in the vendor master, use of initials will be acceptable only for the second, third, etc., names (first and last names must be complete). These initials will have spaces between them with no periods.

Appendices

15-A Vendor Create/Change Authorization
15-B Vendor Create Request
15-C Vendor Change Request
Chapter 15: Accounts Payable

15.2 Vendor Master File Policy and Procedures

Enquiries
Accounts Payable Processing, Government Accounting
Department of Finance
(902) 424-6626

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Approval date: **January 9, 2003**
Approved by: **Executive Council**
Effective date: **July 5, 2001**
Administrative update: **July 31, 2008**
Appendix 15-A

Chapter 15: Accounts Payable
15.2 Vendor Master File Policy and Procedures

VENDOR CREATE/CHANGE AUTHORIZATION

<table>
<thead>
<tr>
<th>Name of Department/Agency</th>
<th>Business Area No.</th>
</tr>
</thead>
</table>

The following people are hereby authorized to request vendor creates and changes for the above-mentioned department/agency.

<table>
<thead>
<tr>
<th>Employee Name</th>
<th>Authorization Period</th>
<th>Signature</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>From</td>
<td>To</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

Director’s Approval

________________________________________

Date

________________________________________

Submit to:
Vendor Master
Department of Finance
Government Accounting Division
5th Floor, Provincial Building
## Appendix 15-B

### Vendor Create Request

**REQUESTING DEPT:**

**REQUESTED BY:**

- Contact Name
- Contact Phone No.
- Contact Fax No.

**COMPANY CODE**

- Prov of NS (NSPG)
- Pensions (PENS)

**ACCOUNT GROUP**

- Company (ZCOM)
- Employee (ZEMP)
- Individual (ZNEM)
- One-time (ZONE)
- Supplement (ZSUP)
- Foreign (ZFOR)
- Pension (ZPEN)

**Payment method suppl. (if applicable)**

**PURCHASE ORDER ADDRESS (if different from above):**

- Mailing Address:
- Street Address:
- City:
- County:
- Postal Code:
- Province/State:
- Contact Name:
- Contact Phone:
- Contact Fax:
- Contact E-mail:
- Payment Terms:
- Order Currency:
- Country:

**Departmental Authorization:**

**Date:**

**For Government Accounting Only**

- Source Document Verified
- Date Changed
- Initials
- Vendor Code
### Appendix 15-C

**Department of Finance**  
**VENDOR CHANGE REQUEST**

**REQUESTING DEPT:**

**REQUESTED BY:**

- **Contact Name:**
- **Contact Phone No.:**
- **Contact Fax No.:**

**COMPANY CODE**

- **Prov of NS (NSPG)**
- **Pensions (PENS)**

**ACCOUNT GROUP**

- **Company (ZCOM)**
- **Employee (ZEMP)**
- **Individual (ZNEM)**
- **One-time (ZONE)**
- **Supplement (ZSUP)**
- **Foreign (ZFOR)**

**VENDOR CODE**  
**TO BE CHANGED**

#### Revised Information:

- **Vendor Name:**
- **Mailing Address:**
- **Street Address:**
- **City:**
- **County:**
- **Postal Code:**
- **Province/State:**
- **SIN:**
- **Contact Name:**
- **Contact Phone:**
- **Fax:**
- **E-mail:**
- **Payment Terms:**
- **Order Currency:**
- **Country:**
- **Purch. Order Address:**

**Source Document Verified**  
**Date Changed**  
**Initials**
15.3 Foreign Currency Payments

Policy Statement
It is the policy of the Province of Nova Scotia to record foreign currency payments for accounts payable transactions through Operational Accounting, Department of Internal Services. These payment types may not be processed at the department level.

Definitions
FOREIGN CURRENCY PAYMENTS
Foreign currency payments for accounts payable are defined as payments in any currency other than Canadian or U.S. dollars.

Policy Objective
The purpose of this policy is to communicate the procedures in place for processing foreign currency payments.

Application
This policy applies to those who use the provincial SAP system to process vendor payments in a foreign currency.

Accountability
Departments are responsible for sending the approved invoice for payment to Operational Accounting who is responsible for processing the request to pay in a foreign currency.

Policy Directives
All properly approved invoices that are to be paid in a currency other than Canadian or U.S. dollars must be sent to Operational Accounting who will obtain the bank draft and make all necessary entries in SAP to record the invoice and any foreign exchange adjustments. The original documentation is returned to the originating department for filing.

If the invoice is in a currency not issued by the province’s bank, the department must negotiate with the vendor for an acceptable alternative currency as means of payment.
All foreign drafts that are no longer required must be returned to Operational Accounting for cancellation and reimbursement of funds.

**Monitoring**
Operational Accounting will monitor the policy’s implementation, performance, and effectiveness.

**Enquiries**
Director, Operational Accounting
Department of Internal Services
(902) 424-6626
15.4 Third Party Demand Payment

Policy Statement
It is the policy of the Province of Nova Scotia to comply with orders for third party demand payments from any payments being made.

Definition
THIRD PARTY DEMAND
A third party demand is a requirement for a vendor’s payment to be redirected to a third party in settlement of a court order, Canada Revenue Agency (CRA) debt, or other amounts that are properly authorized.

Policy Objective
The purpose of this policy is to set government-wide standards for the management of third party demands placed upon vendors used by the province.

Application
This policy applies to all those who use the government’s SAP system to process accounts payable vendor transactions.

Policy Directives
All official third party demands should be submitted to Operational Accounting. Paperwork required to be submitted includes the court order, Canada Revenue Agency request for payment redirection, or other such demand notices. Operational Accounting will ensure that the appropriate vendor master files are blocked with instructions for payment redirection included in the text field of the master file, along with a contact name and phone number for further assistance and instruction. Originating departments must submit copies to Operational Accounting of all invoices that they have entered in SAP for settlement of accounts under third party demands.

All payments issued under these demands will be released by Operational Accounting, and all vendors will be notified in writing or by email remittance notice that their accounts have been settled by payments redirected to third parties.
**Accountability**

Operational Accounting is responsible for the proper disbursement of funds under demands officially placed by third parties.

**Monitoring**

Operational Accounting will monitor the policy for performance and effectiveness.

**Enquiries**

Director, Operational Accounting  
Department of Internal Services  
(902) 424-6626
15.5 Taxable Benefits and Issuance of T4As

Policy Statement

It is the policy of the Province of Nova Scotia to comply with Canada Customs and Revenue Agency (CCRA) rules and regulations.

Policy Objectives

The purpose of this policy is to provide guidance for the consistent application of CCRA rules and regulations for taxable benefits and the issuance of T4As.

Application

This policy applies to all departments, agencies, boards, commissions, and Crown corporations of the province for payments made outside of normal salary arrangements. This includes payments made by the province to an individual in their own name or payments to third parties on behalf of the individual. Individuals include ministers, deputies, MLAs, permanent employees, casual employees, and non-employees.

Policy Directives

Issuance of T4As provides individuals with verification of amounts to report as income on their tax returns. All taxable payments should be T4A coded, but a T4A will be issued only for cumulative taxable payments greater than $500 or when income tax has been withheld from a payment. There is no requirement to withhold income tax from taxable benefit payments.

Severance and retirement agreements cannot supercede CCRA rules. Each payment must be evaluated based on the intent and purpose of the payment. The agreement may contain both taxable and non-taxable payments.

The full amount of HST paid on a taxable benefit payment must be included as part of the benefit reported on a T4A. The reasoning is that an individual would have paid 100% of the fee plus any HST if they had paid the fee personally. Therefore the true benefit is the full tax-included total.
When an accounts payable document is entered, the T4A code must be entered on the Accounts Payable line 31. (This code triggers the record to be included in the T4A reports and year-end data file.) (See Appendix 15-D for table of codes.)

T4As must be produced and mailed by the end of February each year. Any mail returned due to incorrect or outdated addresses should be sent to Government Accounting to be held until the person calls looking for their form. The departments are not required to search for new addresses for these people.

Each individual taxpayer is responsible for preparing a complete and correct income tax return each year. Any amounts not reported by T4A must still be claimed appropriately by the individual. In some cases, the individual will have a receipt for tax deduction purposes that will offset against any income reported on a T4A.

Taxable benefits and payments are made throughout the year. Those paid through either payroll or accounts payable must be coded in such a way as to flag the payment. Payroll’s computer system will generate T4 and T4A slips accordingly for those items processed by payroll. A T4A will be prepared after each calendar year-end by Government Accounting for any accounts payable payments qualifying as taxable benefits or taxable payments. The financial divisions of departments will issue or mail the T4As on or before the February 28 deadline.

Payments made in accordance with special agreements, such as severance contracts or Early Departure Incentive Program, will be subject to those regulations as set by CCRA.

Accountability

GOVERNMENT ACCOUNTING, DEPARTMENT OF FINANCE

Government Accounting, Department of Finance, is responsible for

• developing and communicating a sound and appropriate policy
• updating the policy for changes in tax rules
• preparing T4As by mid-February for all T4A-coded payments processed through the accounts payable system
• delivering T4As to departments for issuance or mailing
• filing the required T4A information with CCRA
• responding to directors of finance about any unresolved questions or issues
PAYROLL SERVICES, DEPARTMENT OF FINANCE
Payroll Services, Department of Finance is responsible for

• coding taxable payments made via the payroll system
• producing T4s and T4As on or before February 28 for any taxable payments processed through the payroll system
• distributing T4s/T4As to departments for issuing to employees
• mailing T4As to retirees

DEPARTMENTS, CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS
Departments, Crown corporations, agencies, boards, and commissions are responsible for

• identifying payments as taxable
• entering a T4A code on the accounts payable record
• notifying the recipient of the taxable nature of the payment
• running reports of T4A-coded data for review
• reviewing reports of T4A-coded data and noting all errors for correction
• correcting coding errors and omissions
• issuing or mailing T4As on or before February 28
• responding to managers'/staff questions, problems, and concerns arising from this issue
• notifying Government Accounting Division of any questions or issues that cannot be resolved by their director of finance or managers

Monitoring
Government Accounting, Department of Finance, and the finance divisions of all departments are responsible for ensuring compliance with this policy.

Internal Audit Division is responsible for monitoring departments’ compliance with this policy.

References
Canada Customs and Revenue Agency, Halifax Office

Employers’ Guide to Payroll Deductions, Taxable Benefits

Canada Income Tax Act
Chapter 15: Accounts Payable
15.5 Taxable Benefits and Issuance of T4As

Enquiries
Financial Services Delivery Branch
Department of Internal Services
(902) 722-5044

Appendix
Appendix 15-D Taxable Payments

Approval date: January 9, 2003
Approved by: Executive Council

Effective date: July 5, 2001
Administrative update: March 3, 2017
Appendix 15-D

Taxable Payments

Tax Code/Description

04 RESEARCH GRANTS
Payments made outside normal salary arrangements to assist in research projects.

05 FEES FOR SERVICE
Fees for service rendered, not covered by salary arrangements. Some recipients will have already prepared their taxable income information including the T4A amount. They need only make note of this for CCRA and show where the income has been included on their tax return. The amount should not be reported twice.

Individuals who provide services and bill by invoice are considered to be self-employed. As a result, they are responsible for accounting for their income accordingly, since no T4A will be issued.

07 BOOKS, SUPPLIES
Reimbursement of cost of books or supplies used for courses.

08 COURSE FEES
Tuition fees paid to or on behalf of an employee or their children for a designated post-secondary institution (university, community college, etc.) A receipt for tax purposes (T2202) will be issued by the institution to the student and can be used as a deduction from income on their tax return.

Courses taken to maintain or upgrade employer-related skills are primarily for the benefit of the employer, as long as the employee remains for a reasonable amount of time after the course is completed. Other business-related courses, although they may not be directly related to the job, often benefit the employer too. The fees in these situations are not a taxable benefit.

Personal interest or technical courses not related to your business are taken for the employee’s benefit. Fees paid for such courses are taxable benefits.
09 PROFESSIONAL DUES
Membership fees reimbursed or paid on behalf of an employee represent a taxable benefit unless the membership is a condition of employment. The condition of employment terms may be formally documented in a job description. If not, it becomes a judgment call by the department considering if it is reasonable for the employee to have the membership to support their skill set. Memberships are required by law for some practising professionals (e.g., CA, CMA, CGA, PEng, lawyer). For example, a lawyer’s dues are not taxable, but a golf membership is taxable. Individuals may not claim any related tax deduction for dues if the income (fee reimbursement) has not been claimed.

10 PERSONAL EXPENSES
Free board and lodging, or lodging that is provided at an unreasonably low rate.

11 TRAVEL ALLOWANCE
Payment made to an employee as a fixed allowance amount instead of a reimbursement of actual travel expenses. For those individuals who require a vehicle to perform their job duties, a form (T2200 Declaration of Conditions of Employment) is issued by the financial services divisions in departments to verify this arrangement. This form allows some of the business-use portion of the vehicle expenses (gas, maintenance, depreciation, etc.) as deductions to offset the allowance income claimed. If paid through payroll the T4 will be issued by Payroll Services Division.

12 PARKADE PARKING
Parking space fee paid to or on behalf of the person to a third party (does not include the situation where an employee normally requires their vehicle to perform their daily job functions).

12 PARKING LOTS
Parking spaces for ministers, deputies, and employees in a parking lot maintained by the employer, whether the land is owned or leased. The benefit should be assessed on an individual basis as the fair market value (FMV) of the parking, even if the departments are not charged for the parking in any way. In most rural areas of the province, parking is generally free, so the FMV of the parking benefit is $0. In Halifax/Dartmouth, the FMV of parking can range between $60 and $100, so the benefit should be assessed accordingly. This does not include the situation where an employee normally requires their vehicle to perform their daily job functions. For consistency and fairness, a standard benefit rate of $70 per month should be assessed for assigned parking lots.
13 **EQUIPMENT RENTAL**
Payment for use of personally owned equipment used on the job (e.g., chain saw used on a forestry job site).

15 **FEES TO ELECTION WORKERS (INCOME)**
Fee paid to non-employees as remuneration for working at a provincial election.

16 **FEES TO ELECTION WORKERS (ALLOWANCE)**
Fee paid to non-employees as remuneration for working at a provincial election.

21 **HONORARIUM**
This fee is paid as a reward for services provided. If paid to an employee, it is considered part of their employment income and is a taxable benefit. If paid to non-employees, it is considered self-employment income and also should be T4A coded.

22 **BOARD FEES/STIPENDS**
Agreed fee to be paid to non-employees for attendance at board meetings or paid for service provided.

23 **SCHOLARSHIPS, GRANTS, BURSARIES**
Paid to students to enable them to pursue their education and earn a degree, diploma, or other certificate of graduation. May be used by the student at a post-secondary level such as university, college, technical institute, etc., or in pursuit of a trade, academic discipline, or professional program. (This tax code does not include allowances for books or supplies or living expenses.)

99 **OTHER**
This code to be used only for those taxable benefits not covered by codes above. Include details in the description field.

Some taxable benefits and payments, other than salaries, are reported by Payroll Services Division including the following

**VEHICLE BENEFIT**
Personal use of an employer-owned or -leased vehicle results in a taxable benefit. Personal use includes travel between home and work, driving for personal use, vacation trips, having the keys in your possession after work hours so that the vehicle is available to you. Any portion of expenses reimbursed to the province will reduce the amount of benefit taxable to the individual.
TRAVEL ALLOWANCE
Flat rate amount paid on regular biweekly pay cheques.

Note: If the travel allowance paid to an employee is a combination of flat-rate and reasonable per-kilometre allowances, only the flat-rate portion is taxable.
15.6 Cheque Cancellation and Stop Payment

Policy Statement
The purpose of this policy is to set government-wide standards for the handling of cheque cancellation and stop-payment requests on cheques that have been issued by the province.

Accountability
The Capital Markets Administration Division of the Department of Finance and Treasury Board is the only body that can place stop-payment requests at the banks. The Operational Accounting Division of Department of Internal Services processes the cheque cancellation in SAP.

Policy Directives

STOP PAYMENT
When an issued cheque requires bank intervention to ensure that it is not cashed, these steps must be followed to place a stop payment on the cheque:

1. A complete stop-payment request must be submitted on the prescribed form (Appendix 15-E) to Capital Markets Administration by the department that originally entered the documents that produced the cheque.
2. Capital Markets Administration will confirm that the cheque is outstanding and prepare and submit the necessary documentation to the bank to formally place the stop payment order.
3. Once confirmation is received from the bank, the stop-payment request will be sent to Operational Accounting where the cheque will be cancelled in SAP.

CHEQUE CANCELLATION
When a department has possession of a cheque and needs to have that cheque cancelled, these steps must be followed:

1. Authorized requests for cheque cancellations must be submitted on the prescribed form (Appendix 15-F) to Operational Accounting by the department that originally requested the cheque.
2. The request must be accompanied by the original cheque. It must clearly state the reason for cancellation and whether or not a replacement cheque is to be issued.

3. Operational Accounting will cancel the cheque in SAP and either replace the cheque or reverse the original document if a replacement is not required. The posting date must be manually entered into the date field in SAP and be equal to the date on which the cheque cancellation is being done.

4. Operational Accounting will determine the appropriate account to credit for cheques that will not be replaced, based on the fiscal year and the account number upon which the original cheque was drawn.

Application
The stop payment and cheque cancellation policy applies to all those who use the government’s SAP system to record its accounts payable vendor payments.

Monitoring
Operational Accounting will monitor the policy.

Enquiries
Director, Operational Accounting
Department of Internal Services
(902) 424-6626

Appendix
Appendix 15-E Stop-Payment Request Form
Appendix 15-F Cheque Cancellation Form

<table>
<thead>
<tr>
<th>Approval date:</th>
<th>July 31, 2008</th>
<th>Effective date:</th>
<th>July 5, 2001</th>
</tr>
</thead>
</table>
### Appendix 15-E

#### Department of Internal Services

**Stop Payment Request Form**

<table>
<thead>
<tr>
<th>Field</th>
<th>Content</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>To</strong></td>
<td>Manager Banking &amp; Debt Services, Treasury Services</td>
</tr>
<tr>
<td><strong>From:</strong> Title</td>
<td></td>
</tr>
<tr>
<td><strong>Phone</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Date</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Department/Division</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Please issue a stop payment and credit to account charged for cheque listed below</strong> or <strong>Please issue a stop payment and replacement for the cheque listed below</strong></td>
<td></td>
</tr>
<tr>
<td><strong>(If no preference selected cheque will be returned to address above)</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Send replacement cheque to address above</strong> or <strong>Send replacement cheque to address on cheque</strong> or <strong>Hold in Treasury Services for pickup</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Authorized by</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Print Name</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Signature</strong></td>
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</tbody>
</table>

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<th>Document No.</th>
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<tr>
<td><strong>Payee</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Vendor #</strong></td>
<td>Cheque Number</td>
</tr>
<tr>
<td><strong>Cheque Amount</strong></td>
<td>$</td>
</tr>
<tr>
<td><strong>Cheque Date</strong></td>
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</tr>
<tr>
<td><strong>Employee</strong></td>
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</table>

<table>
<thead>
<tr>
<th><strong>Finance Use Only</strong></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Outstanding To</strong></td>
<td>Stop Payment Issued</td>
</tr>
<tr>
<td><strong>Authorization by Treasury Services to replace cheque</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Received by Accounts Payable</strong></td>
<td>Date Received</td>
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<td>Replacement Cheque Date</td>
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<td><strong>Replacement Cheque Amount</strong></td>
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<tr>
<td><strong>Cancelled Document Number</strong></td>
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<td><strong>Per:</strong> Accounts Payable</td>
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## Appendix 15-F

### Province of Nova Scotia

#### Return of Cheques For Cancellation

<table>
<thead>
<tr>
<th>TO</th>
<th>Department of Internal Services</th>
<th>FROM</th>
<th>Payroll Services Section</th>
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**Authorization for Cancellation**

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**DESCRIPTION**

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<tr>
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**Reason for Cancellation**

- To be cancelled and credited back
- To be cancelled and re-issued

**Acknowledge of Return of Cheques for Cancellation**

<table>
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15.6 Cheque Cancellation and Stop Payment

Budgeting and Financial Management Manual

Government of Nova Scotia
15.7 Stale-Dated Cheques

Policy Statement
It is the policy of the Province of Nova Scotia to cancel cheques as they become stale dated.

Definitions

STALE-DATED CHEQUE
A cheque becomes stale dated six months after the date printed on the cheque.

Policy Objective
The purpose of this policy is to set government-wide standards for the handling of stale-dated cheques that have been issued by the province. This policy will allow for the issuance of replacement cheques on a timely basis or cancellation of those cheques no longer required. Any cheque that becomes stale dated will be cancelled six months after the month in which it was issued.

Application
The stale dated cheque policy applies to all those who use the government’s SAP system to record its accounts payable vendor payments.

Policy Directives
Operational Accounting reviews monthly the list of outstanding cheques to identify stale-dated cheques to be cancelled. These cheques and the underlying AP documents are reversed. Cheques issued in U.S. funds will be treated the same as Canadian funds cheques. They are reversed at the original exchange rate as per date of issue.

Current year payments are reversed to the department’s expense accounts in the current fiscal year. Those cheques issued in a prior fiscal year are reversed and credited to prior years’ recoveries.

Operational Accounting downloads the outstanding cheque information into a report, noting the business area for each cheque, during the cancellation process. This report is sorted by business area and distributed to the department as notification of cheques that have been cancelled.
Departments may request a cheque to be re-issued after cancellation. Departments will have to enter a new document in SAP Accounts Payable, entering “replacing cheque number XX” in the document header text field. When replacing a cheque that was issued in a previous fiscal year, departments must notify Operational Accounting of the original cheque number and the document number entered for the new cheque, so that adjustments can be done to prior years’ recoveries for the replacement cheque. When replacing a cheque that was issued in the current fiscal year, no further action will be required beyond entering a new accounts payable document.

**Accountability**
Operational Accounting is responsible for ongoing review of stale-dated cheques. Departments are responsible for providing instructions for cheque re-issuance when appropriate.

**Monitoring**
Operational Accounting will monitor the policy.

**Enquiries**
Director, Operational Accounting  
Department of Internal Services  
(902) 424-6626

<table>
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<tr>
<th>Approval date:</th>
<th>July 31, 2008</th>
<th>Effective date:</th>
<th>August 21, 2008</th>
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<tr>
<td>Approved by:</td>
<td>Executive Council</td>
<td>Administrative update:</td>
<td>February 12, 2015</td>
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15.8 Electronic Payments

Under development.
Chapter 16: Accrued Liabilities
16.1 Liabilities – General

Policy Statement
It is the policy of the Province of Nova Scotia to record and/or disclose liabilities on an accrual basis in accordance with generally accepted accounting principles for the public sector.

Definitions

LIABILITIES
Present obligations of a government to others arising from past transactions or events, the settlement of which is expected to result in the future sacrifice of economic benefits.

SACRIFICE OF ECONOMIC BENEFITS
Embodies a duty or responsibility to others to a future transfer or use of assets, provision of goods or services, or other form of economic settlement at a specified or determinable date, on occurrence of a specified event, or on demand.

CONSTRUCTIVE OBLIGATION
An obligation that can be inferred from the facts in a particular situation, whereby the action or inaction by the government in a particular circumstance(s) has created the expectation of a government obligation.

EQUITABLE OBLIGATION
An obligation that is based on ethical or moral considerations.

Policy Objectives
The objective of this policy is to provide guidance to facilitate government-wide general liability recognition that is applied on a reasonable and consistent basis.

Application
This policy applies to all departments and public service agencies contained within the General Revenue Fund.
Policy Directives

Liabilities arise from many types of obligations, including items such as the following:

- agreements or contracts
- another government’s legislation
- a government’s own legislation
- constructive obligations, or
- equitable obligations.

Agreements, contracts, and government legislation are liabilities supported by legally binding agreements and legislation. The terms of the liability are often clearly documented to avoid ambiguity.

Constructive obligations are not based on legally binding agreements, but due to events that have transpired surrounding a particular circumstance(s), the parties have effectively entered into an agreement(s) that creates an obligation(s) between the parties.

**Example**

A Minister publicly commits or agrees on behalf of a government department to provide funding to support the cause of an organization within its community. A public expectation has been created and as a result, the government is effectively bound to fulfill its commitment as communicated.

Equitable obligations arise due to ethical or moral considerations. It is often difficult to record an equitable obligation given its ambiguous nature and the difficulty involved with obtaining a reasonable measurement.

Sometimes a liability is of a contingent nature, where there is a degree of uncertainty as to whether a present obligation exists at the financial statement date. The obligation will not be confirmed until the occurrence of a future event. Contingent liabilities are specifically addressed in a separate section of this management manual chapter.

**RECOGNITION**

Liabilities are recorded during the period in which (1) there is an appropriate basis of measurement, and (2) a reasonable estimate can be made of the amount involved.
At times, an exact amount of expense is not known, whereby a reasonable estimate is accrued to ensure the expense is captured during the correct period when the obligation arose (i.e., when the goods/services were received, etc.) A reasonable amount may be calculated or estimated using methods such as past/similar experience or by using quoted prices in a situation where goods or services have been received.

Any revisions to accruals that are known before the financial statements are completed, are adjusted in those financial statements.

**DISCLOSURE**

In the event a department is aware of a significant obligation but is unable to record it due to the inability to find an appropriate basis of measurement or because a reasonable estimate is not attainable, that department will provide information to Government Accounting to be disclosed in the province’s notes to its financial statements the nature of the liability, along with a reason why an amount cannot be recorded.

**Accountability**

Departments are individually responsible for ensuring that liabilities are appropriately and completely reflected in their accounts and disclosed information.

Government Accounting will rely on information provided by the departments to include appropriate recognition and disclosure in the province’s financial statements.

**Monitoring**

Government Accounting will provide necessary guidance to each department in applying this policy. Further, Government Accounting will monitor compliance with, and the effectiveness of, the policy across the departments.

**References**

PS 1000 Financial Statement Concepts
PS 3200 Liabilities
PS 3300 Contingent Liabilities

**Enquiries**

Director, Government Accounting
Department of Finance
(902) 424-7021
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<td>Approved by:</td>
<td>Executive Council</td>
<td>Administrative update:</td>
<td>October 7, 2010</td>
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16.2 Liability for Contaminated Sites

Policy Statement
It is the policy of the Province of Nova Scotia to record a liability for contaminated sites in accordance with generally accepted accounting principles for the public sector.

Definitions

CONTAMINANTS
Any physical, chemical, biological, or radiological substance in air, soil, water, or sediment that, in sufficient concentration or is not naturally occurring in the environment, can adversely affect living organisms.

ENVIRONMENTAL STANDARD
Refers to any guidelines, objectives, criteria, or other kinds of limits placed on the presence or discharge of a contaminant into the natural environment. Such limits are generally set out in the form of a statute, regulation, by-law, order, permit, contract, or agreement.

CONTAMINATION
The introduction into air, soil, water, or sediment of a chemical, organic, or radioactive material or live organism that exceeds an environmental standard.

CONTAMINATED SITE
A site at which substances occur in concentrations that exceed the maximum acceptable amounts under an environmental standard. A contaminated site does not include airborne contamination or contaminants in the earth’s atmosphere unless such contaminants have been introduced into soil, water bodies, or sediment.

REMEDINATION
The improvement of a contaminated site to prevent, minimize, or mitigate damage to human health or the environment. Remediation involves the development and application of a planned approach that removes, destroys, contains, or otherwise reduces availability of contaminants to receptors of concern.

CONTINGENT LIABILITIES
Possible obligations that are likely to result in the future sacrifice of economic benefits arising from existing conditions or situations involving uncertainty. That uncertainty will ultimately be resolved when one or more future events not wholly within the
government’s control occur or fail to occur. Resolution of the uncertainty will confirm the incurrence or non-incurrence of a liability.

Policy Objectives
The objective of this policy is to ensure that liabilities associated with the remediation of contaminated sites are appropriately, accurately, and consistently accounted for and disclosed by the Province of Nova Scotia. This policy specifically addresses:

1. how to identify contaminated sites
2. when to recognize a liability for remediation
3. how to measure a liability for remediation

Application
This policy applies to all of the Province’s departments, public service units, agencies, boards, and commissions contained in the General Revenue Fund (hereinafter referred to as “departments”).

Organizations outside of the General Revenue Fund (GRF) but within the Government Reporting Entity¹ (GRE) are encouraged to adopt a policy that allows for the accurate and consistent reporting of liabilities for contaminated sites. This policy should be in compliance with the entity’s generally accepted accounting framework. It is recognized that many entities may already have an appropriate policy in place. These organizations are responsible for reporting their liabilities for contaminated sites to the Government Accounting Division of the Department of Finance and Treasury Board as part of the year-end consolidation reporting requirements.

Policy Directives
A liability for contaminated sites is identified and recorded in accordance with the accounting standards and guidelines contained within the Public Sector Accounting (PSA) Handbook. In applying this policy, departments must identify all remediation liabilities for their area of responsibility.

IDENTIFICATION OF CONTAMINATED SITES
A complete inventory of contaminated and potentially contaminated sites should be compiled by every department and updated on a regular basis, at least annually. All sites owned by the Province should be considered by reviewing tangible capital asset

¹ For definition, see Corporate Administrative Policy Manuals, 200 Budgeting and Financial Management Manual, Chapter 4, Policy 4.1 Government Reporting Entity
listings and all other available property information. In compiling this list, departments should include sites that have the following characteristics:

- Known contamination exists on the property
- Unexpected contamination has occurred (e.g. chemical spill)
- Property has a history of contamination or is deemed to be higher risk of becoming contaminated due to its similarity to other sites or due to risky activity being performed on the site
- Property where contamination may exist is not yet included on the list
- Province is responsible, or has accepted responsibility, for contamination on a site that it does not own
- Site where responsibility for contamination will be determined at a future date

A liability for remediation normally results from items such as:

1. All or part of an operation of the government or government organization that is no longer in productive use (e.g., abandoned salt depots)
2. All or part of an operation of entities outside the government reporting entity that is no longer in productive use for which the government accepts responsibility (e.g., an abandoned gas station)
3. Changes to environmental standards relating to all or part of an operation that is no longer in productive use (e.g., new regulations requiring the destruction of stored polychlorinated biphenyls (PCBs))
4. An unexpected event resulting in contamination (e.g., accidental toxic chemical spills or natural disasters).

Departmental listings should include all contaminated sites and distinguish whether they are in productive use or not. An operation or tangible capital asset is in productive use when held for use in the production or supply of goods and services, for rental to others, for administrative purposes, or for the development, construction, maintenance, or repair of other operations or tangible capital assets. The temporary idling of an operation or tangible capital asset is not considered in productive use.

**RECOGNITION OF LIABILITY**

A liability for the remediation of contaminated sites is to be recorded at the financial reporting date when **all** of the following recognition criteria are met:

1. An environmental standard exists
2. Contamination exceeds the environmental standard
3. The government
   a. is directly responsible, or
   b. accepts responsibility
4. It is expected that future economic benefits will be given up
5. A reasonable estimate of the amount can be made.

An environmental standard is binding and legally enforceable, thus compliance is mandatory. The breach of an environmental standard imposes an obligation on the Province to undertake remediation activities that may result in the sacrifice of future economic benefits. A remediation liability may only exist once it has been determined that contamination exceeds an environmental standard.

To determine whether contamination exceeds an environmental standard, factors to consider include, but are not limited to, the following:

- the nature of past activities at the site(s) or adjacent properties
- site(s) location, hydrology, and geology and significance of site(s)
- results from testing and field investigations
- similarities to and experience at other known contaminated sites
- cost versus benefit of conducting detailed site assessments.

If the government owns the land, and all other recognition criteria have been met, a remediation liability should be recorded. In some cases, the Province may be directly responsible for remediation because of its own past activities or the activities on government-owned land or on land that the government has since acquired and a responsible party cannot be identified.

The Province may voluntarily assume responsibility for the remediation of contaminated sites through its own actions or promises. However, only those assumed obligations for remediation that meet the definition of a liability at the financial reporting date can be recognized. In the absence of a legally enforceable agreement or standard, the Province, through its own actions or promises, may create a valid expectation among others that leaves it with no realistic alternative but to remediate a contaminated site or group of sites. In this case, the Province may have little or no discretion but to take action and a liability may need to be recorded. A legal opinion may be required in such cases.
The existence of a contaminated site that exceeds an environmental standard does not always mean a remediation liability must be recorded. Some sites are better left undisturbed if there are no dangers to human health and adjacent properties. The degree of contamination and the use of the property should be assessed by a licensed environmental officer or site professional to determine the necessary remediation efforts required. If it is determined that the site must be remediated and an estimate of the costs can be reasonably made, a liability should be recognized by the responsible department at the financial reporting date.

**MEASUREMENT OF LIABILITY**

Estimated remediation costs should only include costs that are directly attributable to the remediation activities that are required to bring the site back up to the current minimum environmental standard for its use prior to the contamination. Directly attributable costs include, but are not limited to, payroll and benefits, equipment and facilities, materials, and legal, engineering, other professional services, and any maintenance/monitoring costs that are an integral part of the remediation strategy. Costs related to natural resource damage (e.g., revegetation outlays) are included only if required by an environmental standard. Remediation costs should include the costs to develop and implement a clean-up strategy once the site has been classified as a contaminated site, as well as final confirmatory sampling and the final site report.

The portion of remediation costs that relates to a betterment\(^2\) should be accounted for as such under the tangible capital assets policy. Where the remediation strategy involves the acquisition of an asset that would otherwise meet the definition of a tangible capital asset and that asset has no alternative future use, the cost of the asset required for remediation activities should be reported as part of the remediation liability as an expense, not an asset, in the period when the remediation liability is recorded. If the asset has an alternative future use, only the portion of its estimated cost related to its use in remediation activities would be included in the estimate of a remediation liability. When the asset is actually acquired, only the portion of the costs related to the alternative use would be capitalized and would be amortized to expense over the remainder of its useful life in the periods of alternative use.

Estimated costs that are not incurred specifically for remediation activities, such as costs relating to research and development of technologies or skill development programs, should not be included in the liability. Operational, maintenance, and

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\(^2\) For definition, see Corporate Administrative Policy Manuals, 200 Budgeting and Financial Management, Chapter 14, Policy 14.1 Tangible Capital Assets
monitoring costs can be included in the remediation liability only if they are a part of the remediation strategy to reduce or remove the contaminant and are completed during the remediation phase. Otherwise, operational, maintenance, and monitoring costs incurred before the remediation liability is recorded or after the remediation phase is complete are considered operating costs and should be expensed when incurred. Costs incurred once the site has been remediated to ensure the contaminant remains at an acceptable level or remains contained at the site are considered regular operating costs required to manage the site.

The measurement technique adopted by the Province (in consultation with internal environmental experts or external site professionals) should result in the best estimate of the amount required to remediate the contaminated site. The best estimate can be described as the amount that the Province would rationally pay to settle or otherwise extinguish the liability. The amount would be based on the current facts and information available at the financial reporting date using existing environmental standards and technology expected to be used in the remediation activities. The estimate of expenditures would require professional judgment supplemented by experience, third party quotes, and, at times, reports of independent experts. All information considered in determining management’s best estimate should be formally documented for each liability recorded. In the case where management has determined the amount of liability to fall within a range and no amount within the range can be determined to be the better estimate, the minimum amount of the range should be recorded.

The liability estimate should be reviewed each year-end to reflect any changes in estimates. Estimates could be affected by fluctuations in the price of labour and materials, adoption of new remediation technologies, and/or modifications to the environmental standards. The impact of inflation should also be factored into the liability estimate. Any revisions to the amount previously recorded should be accounted for in the period in which the revisions are made.

Events that may indicate a need to undertake a detailed reassessment of the contaminated site on which the remediation liability estimate is based can include, but are not limited to, the following:

• significant technological developments
• lapsed time since the last site assessment was completed
• new information from detailed site assessments, site characterizations, or technical reviews done on similar contaminated sites
• a change in legislation or regulations.
The total liability should be reduced by expected net recoveries if the recoveries have an appropriate basis of measurement, can be reasonably estimated, and the future economic benefits are expected to be obtained.

**RECORDING OF LIABILITY**

Generally, a liability for the remediation of a contaminated site should be recorded by the department that owns the property or leases the property under a finance lease. Where more than one department is involved with the site (i.e., more than one department is responsible for the contamination or one department owns the site, but another uses it), the department responsible for remediation should record the liability. In such situations, both departments should communicate with each other to ensure the recording department has all of the known site-relevant information required to make an appropriate estimate of the liability.

Departments are to prepare and submit to Government Accounting a detailed listing of environmental liabilities under their responsibility in accordance with the year-end financial reporting requirements. This schedule is to contain a description of the contaminated sites, nature of contamination, and explanations as to whether the recognition criteria are met. For those contaminated sites that meet all five recognition criteria, the schedule should also list the full cost of remediation and other related information, such as the basis for the cost estimates and sensitivities to consider regarding disclosures in the Public Accounts.

To ensure the completeness and accuracy of the schedule, preparers and reviewers must sign the environmental liabilities schedule as developed by Government Accounting.

Refer to Appendix B of PS 3260 for examples to help illustrate the appropriate accounting treatment in certain situations.

**Policy Guidelines**

Common examples of contaminated sites include the following:

1. **Soil Contamination**

   Damages can result from a variety of sources including, but not limited to, effluent storage or treatment pond seepage into soils or bedrock, under-ground tank leakages, direct spills on the ground, landfills that are not properly constructed or maintained, and leakage from pipelines.
2. **Groundwater Contamination**
   This can result from the infiltration of contaminants discharged at or below the surface. Oil and gas or industrial waste disposal wells can cause the migration of contaminants into the groundwater.

3. **Surface Water Contamination**
   Raw sewage or regulated discharges from sewage treatment plants, discharges from industrial plants, storm water, agricultural run-off, and other types of pollution that finds its way into the water can result in significant surface water contamination.

4. **Air Emissions**
   Emissions from smoke stacks, industrial plant leakages, combustion engines, and other sources can pollute the air. This policy does not apply to airborne contamination or contaminants in the earth’s atmosphere until such contaminants are introduced into soil, water bodies, or sediment.

5. **“Sick” Buildings**
   Some buildings may be deemed as “sick buildings” due to overwhelming problems associated with poor air quality, mould, or the presence of asbestos. These are commonly referred to as environmental deficiencies and should be considered under the terms of this policy.

Given the volume of properties owned by the Province, a risk-based approach may be applied in identifying contaminated sites. In this case, the approach should be documented in detail by departments, including roles and responsibilities, and an established ranking system should be used. In addition, a site assessment is not specifically required for each site to assess the level of contamination.

A legal obligation can result from agreements or contracts, another government’s legislation, or the Province’s own legislation. Examples in which the Province may be legally bound to undertake remediation activities include, but are not limited to:

- non-compliance with the terms and conditions of an environmental certificate of approval or any other similar contractual clauses
- divestiture proceedings of a property may require the Province to clean up any contamination before transferring land to others
- breach of a ministerial protocol and the requirement to remediate the property back to the minimum environmental standard
- ministerial order issued by the Department of Environment to clean up the property.
A general policy intention to remediate may not be sufficient to establish a liability where no public health and safety concerns or contractual arrangements, legislation, or regulation exist. Evidence that the Province may have a liability for remediation other than from a legal obligation can include, but is not limited to, consideration of the following:

- The government body, elected representatives, or government officials with the appropriate level of authority commit to a remediation plan.
- The remediation plan identifies the specific location of the contaminated site(s).
- The remediation plan has been communicated to those directly affected (e.g., residents of surrounding communities) through public consultation, information sessions, workshops, or other activities in such detail as to allow those affected to determine the benefits that would accrue to them.
- The remediation plan specifically identifies the target level of reduction in risk the site(s) pose to human health and the environment and the amount of the environmental costs to be incurred to achieve those targets.
- The time frame for implementing the plan has been identified and indicates that significant changes to the plan are not likely.
- The details of the plan are such that there is a reasonable expectation that the promise can be relied upon.

**UNCERTAIN RESPONSIBILITY**

There may be a situation where an environmental standard exists, contamination exceeds the standard, the Province determines it is not directly responsible, nor does it accept responsibility, but there is uncertainty as to whether the Province may, in fact, be responsible. In this case, a contingent liability may exist.

A future confirming event is required to determine the Province’s responsibility. Determining whether a contingent liability exists at the financial reporting date is a matter of professional judgment. If the future event will likely confirm the Province’s responsibility, a contingent liability should be recognized if the amount can be reasonably estimated. If the amount cannot be reasonably estimated but the costs are expected to be significant, the contingent liability should be disclosed in the Public Accounts.

If the Province is unlikely to be responsible, no liability should be recorded or disclosed. If the outcome of the future event cannot be determined, the existence, nature, and extent of the contingent liability should be disclosed in the Public Accounts.
If litigation for damages related to a contaminated site has been launched against the Province, the claim should be considered as a separate contingent liability.

**Accountability**

**DEPARTMENTS & FINANCIAL SERVICES DIVISIONS**
Departmental staff and Financial Services Divisions serving the departments are responsible for:

- implementing and complying with this policy
- documenting and updating their process, including roles and responsibilities of departmental staff, to comply with this policy
- maintaining an inventory of all contaminated sites (confirmed and suspected) and determining their proper accounting treatment (record as a liability and/or disclose) under the terms of this policy
- consulting with Environmental Services staff within the Internal Services Department as well as site professionals to determine the extent of contamination and clean-up options
- consulting with staff at the Department of Environment to confirm applicability of Contaminated Sites Regulations and Protocols
- maintaining current and accurate information and records by site
- preparing their annual environmental liabilities schedules at year-end for Government Accounting and thoroughly analyzing and reviewing them prior to submission to ensure all liabilities were accounted for and disclosed
- responding to Government Accounting inquiries regarding liabilities for contaminated sites
- providing the Office of the Auditor General with the evidence requested for the audit of liabilities for contaminated sites

**GOVERNMENT ACCOUNTING DIVISION**
Government Accounting is responsible for:

- distributing the contaminated sites inventory template and environmental liabilities schedule to departments for year-end reporting purposes
- communicating the environmental liabilities reporting threshold to departments at year-end
- compiling a list of all environmental liabilities for the GRF
• compiling a list of all environmental liabilities for the consolidated GRE by reference to the financial statements and worksheet packages of the governmental units, government business enterprises, and government partnership arrangements

• reviewing environmental liabilities schedules submitted by departments for significant and unexpected differences

• liaising with departments and the Office of the Auditor General, as needed

• assisting departments in documenting and updating their processes to comply with this policy

• monitoring the application of this policy

• periodically updating this policy in consultation with departments

Monitoring

Financial Services Divisions serving departments are responsible for monitoring the implementation and compliance of this policy. Government Accounting is responsible for monitoring the application, performance, and effectiveness of this policy.

References

Public Sector Accounting Standards
PS 3260 Liability for Contaminated Sites
PS 3300 Contingent Liabilities

Enquiries

Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Appendices

16-A Decision Tree – Liability for Contaminated Sites

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<th>July 31, 2008</th>
<th>Effective date:</th>
<th>August 21, 2008</th>
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Appendix 16-A

Decision Tree – Liability for Contaminated Sites

1. Environmental standard exists
   - Yes
     - Contamination exceeds environmental standard
       - Yes
         - Government is directly responsible
           - Yes
             - It is expected that future economic benefits will be given up (PS 1000 and PS 3200)
             - Yes
               - Disclose in notes to the financial statements (PS 3300)
               - No
                 - Recognize liability
                   - Yes
                     - Disclose in notes to the financial statements (PS 3200 and PS 3300)
                   - No
                     - Do nothing
         - No
           - Government accepts responsibility
             - Yes
               - Contingent liability – confirming future event (PS 3300)
                 - Yes
                   - Disclose in notes to the financial statements (PS 3300)
                 - No
                   - Determinable
         - No
           - Government uncertain about responsibility
             - Yes
               - Disclose in notes to the financial statements (PS 3300)
             - No
               - No

2. No
   - Yes
     - It is expected that future economic benefits will be given up (PS 1000 and PS 3200)
       - Yes
         - Disclose in notes to the financial statements (PS 3300)
         - No
           - Appropriately provide information to readers (PS 1000.56)
             - Yes
               - Disclose in notes to the financial statements
             - No
               - Do nothing
   - No
     - Contingent liability – confirming future event (PS 3300)
       - Yes
         - Disclose in notes to the financial statements (PS 3300)
       - No
         - Do nothing
16.3 Contingent Liabilities

Under development.
Chapter 17: Pension, Retirement and Other Obligations
17.1 Pension, Retirement and Other Obligations

Policy Statement
It is the policy of the Province of Nova Scotia to report its pension, retirement and other obligations and expenses on an accrual basis in accordance with generally accepted accounting principles for the public sector.

Definitions

PENSION, RETIREMENT AND OTHER OBLIGATIONS
Obligations arise as a result of a promise by government to provide benefits to employees at retirement or at other defined times in return for their services. The Province’s obligations fall under the following three main categories:

• pension benefits including funded and unfunded pension plans
• retirement benefits consisting of retirement allowances and retirement health plan benefits
• other employee future benefits including accumulated sick leave and other post-employment benefits plans – self-insured workers’ compensation and long-term disability.

ACTUARIAL VALUATION FOR ACCOUNTING PURPOSES
This is an assessment of the financial position of a benefit plan. It consists of the valuation of assets held by the plan (if any) and a calculation of the actuarial present value of benefits to be paid under the plan. The valuation provides the information needed to determine a plan’s liability and related expenses in accordance with Public Sector Accounting Standards (PSAS).

ACTUARIAL ACCOUNTING ASSUMPTIONS
These are assumptions made about the occurrence of future events that will affect benefit costs and obligations. Assumptions are made for such factors as inflation, mortality, plan withdrawal, disability, retirement, as well as changes in compensation, interest on obligations, and investment earnings.
ACTUARIAL COST METHOD
This method is used to determine the cost of providing benefits and to allocate that cost to specific time periods. The Province uses the projected benefit actuarial method which attributes the estimated costs of benefits to the periods of employee service.

Policy Objectives
The objective of this policy is to ensure that pension, retirement and other obligations are properly, consistently, and accurately accounted for and reported in the Public Accounts of the Province of Nova Scotia. Determining such amounts involves attributing the costs of those benefits to the periods in which the related services are rendered.

Application
This policy applies to all pension, retirement and other obligations to which the General Revenue Fund (GRF) contributes in whole or in part, recognizing that some other members of the Government Reporting Entity (GRE) contribute to these same benefits. It does not apply to any obligations that are the complete responsibility of any other members of the GRE or other outside entity.

Organizations outside of the GRF but within the GRE are encouraged to adopt a policy that allows for the accurate and consistent recording and reporting of their pension, retirement and other obligations. Their policy should be in compliance with the entity’s generally accepted accounting framework. It is recognized that entities may already have an appropriate policy in place. These organizations are responsible for reporting their pension, retirement and other obligations to the Government Accounting Division as part of the year-end consolidation reporting requirements.

Policy Directives
Pension, retirement and other obligations result from a promise by government to provide benefits to employees in return for their services. Since the future benefits accrue over the years when employees render those services, the amount of the obligation to attribute to each period of employee service must be determined.

The amount of the pension, retirement and other obligations outstanding represents the liability at the financial reporting date, while the value of the benefits employees

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1 For definition, see Corporate Administrative Policy Manual #200, Chapter 4.1 Government Reporting Entity.
earned during the period represents the expense of that period. An actuarial cost method using actuarial assumptions is necessary to develop accounting estimates for the liabilities and expenses of pension, retirement and other obligations. An accrued benefit method should be used to attribute the cost of future employee benefits to the periods of employee service. These methods and assumptions should be developed in a manner consistent with PSAS and reassessed each year.

Actuarial assumptions should be based on the Province’s best estimates of expected long-term experience and short-term forecasts and should be internally consistent. The assumptions should be reviewed and approved by the Minister and Deputy Minister of Finance each fiscal year prior to being sent to the actuaries. This will ensure that all actuarial valuation reports and disclosures will be prepared using the up-to-date pension assumptions and received in time for the preparation of the next fiscal year’s budget as well as the current fiscal year’s Public Accounts.

The pension, retirement and other obligations of entities within the GRE are included in the Province’s Public Accounts by way of the consolidation process.

Other requirements for the accounting and reporting of pension, retirement and other obligations include, but are not limited to, the following:

• coordination with various parties to ensure member data is provided to the actuaries on a timely basis
• coordination with the actuaries to ensure timely preparation of actuarial valuation reports
• assessment of Province’s share of the various future employee benefit obligations
• calculations supporting year-end general ledger adjustments and account balances.

Policy Guidelines

PSAS require that an actuarial valuation be performed at least every three years.

Due to the timing and need for both budget and year-end information, Government Accounting often performs accounting valuations every two years with extrapolations in the interim year.

Accountability

Government Accounting is responsible for ensuring that pension, retirement and other obligations and expenses are recorded in an appropriate manner and are accurately reflected in the Public Accounts of the Province.
The Nova Scotia Pension Services Corporation is responsible for providing member data to the actuaries, as well as informing Government Accounting of relevant changes to certain pension plans.

Other entities are responsible for providing their member data and plan information to Government Accounting or directly to the actuaries, as required, to facilitate the preparation of actuarial valuations. Where an entity engages actuaries on its own, a copy of the resulting valuation report should be submitted to Government Accounting.

**Monitoring**

The Government Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy.

**References**

- Public Sector Accounting Handbook
  - PS 3250 Retirement Benefits
  - PS 3255 Post-Employment Benefits, Compensated Absences and Termination Benefits
- Finance Act
- Public Service Superannuation Act
- Teachers’ Pension Act
- Sydney Steel Corporation Sale Act
- Members’ Retiring Allowances Act
- Early Retirement Regulations made under the Public Service Act
- General Civil Service Regulations made under the Civil Service Act
- OIC 85-1054 re: Creation of Long Term Disability Trust Fund
- May 1985 Agreement and Trust Declaration (LTD)
- Civil Service Master Agreement
- 2005 Agreement Between the Province and the Nova Scotia Teachers’ Union
- Other miscellaneous agreements and pension documents

**Enquiries**

Executive Director, Government Accounting  
Department of Finance and Treasury Board  
(902) 424-7021
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<th>July 31, 2008</th>
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<td>Executive Council</td>
<td>Administrative update:</td>
<td>June 17, 2014</td>
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Chapter 18: Leases and Other Contractual Obligations
18.1 Operating and Finance Leases

Policy Statement
It is the policy of the Province of Nova Scotia to record operating and finance leases in accordance with generally accepted accounting principles for the public sector.

Definitions

BARGAIN PURCHASE OPTION
A provision which allows the lessee, at its option, to purchase the leased property for a price which is sufficiently lower than the expected fair value of the property, at the date the option becomes exercisable. At the inception of the lease, exercise of the option appears to be reasonably assured.

EXECUTORY COSTS
Costs related to the operation of the leased tangible capital assets (e.g., insurance, maintenance cost, and property taxes).

FAIR VALUE
The amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

FINANCE LEASE
A lease that transfers to the lessee substantially all of the benefits and risks incidental to ownership of an asset. Title may or may not eventually be transferred.

INCEPTION OF THE LEASE
The earlier of the date of the lease agreement and the date of a commitment that is signed by the parties to the lease transaction and includes the principal terms of the lease. This is the effective date used for the classification of the lease.

IPSAS
International Public Sector Accounting Standards
LEASE
The conveyance, by a lessor to a lessee, of the right to use a tangible asset usually for a specified period of time in return for rent.

LEASED TANGIBLE CAPITAL ASSETS
A non-financial asset that has physical substance and a useful life extending beyond an accounting period, and is held under lease by a lessee for use, on a continuing basis, in the production or supply of goods and services. Under the terms of the lease substantially all of the risks and benefits incidental to ownership are, in substance, transferred to the government without necessarily transferring legal ownership.

OPERATING LEASE
A lease that does not transfer to the lessee substantially all the benefits and risks incidental to ownership of property.

PSAS
Public Sector Accounting Standards

PRESENT VALUE
The estimated worth today of the sum of future lease payments discounted back at a given rate of interest. Since the future value is discounted, the present value will be less than the future value.

Policy Objectives
The objective of this policy is to ensure operating and finance leases are properly classified and recorded appropriately and accurately.

Application
This policy applies to all leases of the Province’s departments, agencies, boards, and commissions of the General Revenue Fund.

Policy Directives
A lease is classified as an operating or a finance lease based on accounting recommendations and guidelines of PSAS and IPSAS. It is necessary to look at the overall substance of the transaction in determining when substantially all the benefits and risks of ownership have been transferred to the lessee.
 OPERATING LEASES
An operating lease is a lease in which, under the terms and conditions of the lease, the lessor does not transfer substantially all the benefits and risks incident to ownership of property to the lessee.

FINANCE LEASES
A finance lease is a lease in which, under the terms and conditions of the lease, substantially all of the benefits and risks incidental to ownership are, in substance, transferred to the lessee without necessarily transferring legal ownership.

From the point of view of the lessee, the benefits and risks of ownership would be transferred to the lessee when, at the inception of the lease, one or more of the following conditions are present:

1) There is reasonable assurance that the lessee will obtain ownership of the leased property by the end of the lease term. This condition would exist when the lease terms would result in ownership being transferred to the lessee by the end of the lease term or when the lease provides for a bargain purchase option.

2) The lease term is of such duration that the lessee will receive substantially all of the economic benefits expected to be derived from the use of the leased property over its life span. This condition would normally be met when the lease term is equal to a major portion (usually 75% or more) of the economic life of the leased property.

3) The lessor would be assured of recovering the investment in the leased property and of earning a return on the investment as a result of the lease agreement. This condition would exist if the present value of the minimum lease payments, excluding any portion thereof relating to executory costs, is equal to substantially all (usually 90% or more) of the fair value of the leased property, at the inception of the lease.

EMBEDDED LEASES
A lease is the conveyance, by a lessor to a lessee, of the right to use a tangible asset usually for a specified period of time in return for rent.

An arrangement may not take the legal form of a lease but may convey a right to use a tangible asset in return for a payment or series of payments. The evaluation of whether an arrangement contains an embedded lease should be based on the substance of the arrangement and requires an assessment of whether:
a) fulfillment of the arrangement is dependent on the use of a specific tangible asset or assets; and

b) the arrangement conveys a right to use the tangible asset or assets.

The classification of any embedded leases as operating or finance leases would still have to be performed in accordance with Public Sector Accounting Guideline 2 - Leased Tangible Capital Assets.

**Policy Guidelines**

**OPERATING LEASES**

Lease rental payments under an operating lease are expensed in the period in which the lease payments are payable to the lessor.

**FINANCE LEASES**

For a finance lease, the obligation is recorded when incurred in the amount of the present value of the minimum lease payments. As lease payments are made, the allocation between principal repayment and debt servicing costs is recorded. The capital lease repayment schedule is prepared at the beginning of the lease which will be used for recording and budgeting for the principal repayment amount and debt servicing costs in future fiscal years.

If the leased asset qualifies as a tangible capital asset under Chapter 14: Tangible Capital Assets, the asset is capitalized in the SAP Asset Management module in the amount of the present value of the minimum lease payments and the lease obligation is recorded as debt.

If the leased asset does not qualify as a tangible capital asset under Chapter 14: Tangible Capital Assets, the present value of the future lease payments is expensed and the lease obligation is recorded as debt.

**Accountability**

Departments are responsible for:

- assessing lease agreements to ensure the proper classification between operating and finance leases.
- assessing arrangements to determine whether arrangements are, or contain, leases.
- identifying their finance lease arrangements and advising Government Accounting
of finance lease obligations as they arise and are being considered.
• consulting with the Capital Markets Administration group at the Department of
  Finance to establish arrangements for payment processing and the recording of
  principal/debt servicing costs allocations.

Government Accounting is responsible for ensuring that any identified finance lease
obligations and related debt servicing costs are initially assessed in an appropriate
manner and accurately recorded in the Public Accounts of the Province. Government
Accounting will prepare, or assist in the preparation of, the lease repayment schedules
for purposes of allocating the lease payments to principal and debt servicing costs.

Capital Markets Administration is responsible for adjusting the general ledger accounts
for the principal repayment portion of finance lease payments, recording the related
debt servicing costs, and reconciling the outstanding finance lease obligations. Capital
Markets Administration will provide required discount rates for the assessment of the
finance lease repayment schedules.

**Monitoring**

Government Accounting will monitor the policy's performance and effectiveness.

**References**

Public Sector Accounting Guideline 2 - Leased Tangible Capital Assets
International Public Sector Accounting Standard 13 - Leases

**Enquiries**

Executive Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008
Effective date: August 21, 2008
Approved by: Executive Council
Administrative update: June 26, 2013
18.2 Other Contractual Obligations

Policy Statement
It is the policy of the Province of Nova Scotia to record contractual obligations in accordance with generally accepted accounting principles for the public sector.

Definitions

CONTRACTUAL OBLIGATION
A contractual obligation exists when a legally binding contract or agreement has been signed with an arm's length third party outside the government reporting entity (GRE). Contractual obligations are:

• obligations of a government to others that will become liabilities in the future when the terms of those contracts or agreements are met;
• distinct from liabilities as there has been no past transaction or event obligating the government to a future sacrifice of economic benefits at the financial statement date;
• distinct from contingent liabilities as there is no uncertainty related to the contractual obligation’s existence

GOVERNMENT REPORTING ENTITY (GRE)
The government reporting entity (GRE) is comprised of the organizations that are controlled by the government, which include the Province’s departments and public service units (General Revenue Fund), government business enterprises (GBEs), other governmental units (GUs), and the Province’s proportionate share of government partnership arrangements (GPAs). Trusts administered by the Province are excluded from the reporting entity. A full listing of entities reported within the GRE can be found in Schedule 10 of the Province’s Public Accounts.

Policy Objective
The objective of this policy is to ensure that contractual obligations are properly, consistently, and accurately identified and disclosed in the Public Accounts of the Province of Nova Scotia. Disclosing a government’s contractual obligations is useful

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1 For purposes of this Corporate Administrative Policy manual, contractual obligations include operating leases. Guidance on how to distinguish between operating and finance leases can be found in Chapter 18.1 Operating and Finance Leases.
because it provides information about the nature and extent to which a government’s resources are already committed to meet its obligations.

Application
This policy applies to all of the Province’s departments, public service units, agencies, boards, and commissions contained in the General Revenue Fund (hereinafter referred to as “departments”).

Organizations outside of the General Revenue Fund but within the GRE are encouraged to adopt a policy that allows for the accurate and consistent reporting of contractual obligations to external parties. This policy should be in compliance with the entity’s generally accepted accounting framework. It is recognized that many entities may already have an appropriate policy in place. These organizations are responsible for disclosing their contractual obligations to the Government Accounting Division as part of the year-end consolidation reporting requirements.

Policy Directives
A contractual obligation is identified and disclosed based on the accounting standards and guidelines contained within the Public Sector Accounting (PSA) Handbook. In applying this policy, departments identify all contractual obligations under their area of responsibility.

Information about a government’s contractual obligations that are significant in relation to its current financial position or future operations should be disclosed in notes or schedules to the financial statements and should include descriptions of their nature and extent and the timing of the related expenditures. As a result, departments are to prepare and submit to the Government Accounting Division each year-end a detailed listing of contractual obligations (in the format prescribed by Government Accounting). This schedule is to contain a description of the agreement, the counterparty, the contract start and end dates, and the contract value at the current and prior year-end dates. It also lists the expected payments in each of the next five years and in five-year time bands thereafter.

Contractual obligations that would be disclosed include, but are not limited to, those that:

a. involve a high degree of speculative risk;

b. result in expenditures that are abnormal in relation to the financial position or usual business operations of the Province; and
c. will govern the level of a certain type of expenditure for a considerable period into the future.

To ensure the completeness and accuracy of the schedule, departments must also complete, sign, and submit a contractual obligations checklist, as developed by Government Accounting.

Policy Guidelines

CONTRACTUAL OBLIGATIONS

Contractual obligations should be reported when:

1. A legally binding contract or agreement has been signed with an external third party.
   a. Determining whether a contract or agreement is legally binding may require consultation with legal counsel (e.g., Memorandum of Understanding).
   b. A signed agreement is needed – Orders-in-Council or media releases alone do not create contractual obligations.
   c. Contracts with entities controlled by the Province are not reported as these would be eliminated upon consolidation.

2. They represent obligations that will become liabilities in the future when the terms of those contracts or agreements are met.
   a. To be a future liability, the contract must:
      i. Result in the sacrifice of future economic benefits
      ii. Leave the Province with little to no discretion to avoid settlement
   b. Only obligations that will be liabilities are reported. Items that will become assets (e.g., loans receivable) are not reported as contractual obligations.

3. They warrant disclosure. Contractual obligations should be disclosed when they:
   a. Have an appropriate basis for measurement and can be reasonably estimated
   b. Are significant in relation to the Province’s current financial position or future operations. Significant contracts include, but are not limited to, those that:
      i. involve a high degree of speculative risk (e.g., contract term linked to the price of oil or other high-fluctuating index)
      ii. require expenditures that are abnormal in relation to the financial position or usual business operations
      iii. will govern the level of a certain type of expenditure for a considerable period into the future (i.e., long-term contracts)
iv. represent commitments that exceed a certain reporting threshold (as determined and communicated by Government Accounting)

A decision tree is included in Appendix 18-A to assist in the application of these guidelines.

ENSURING COMPLETENESS, EXISTENCE, AND ACCURACY

At the end of each fiscal year, departments must provide a summary of their contractual obligations in the format prescribed by Government Accounting and provided to departments during the planning phase of the year-end audit. To ensure the completeness, existence, and accuracy of their reported contractual obligations, departments should, among other things:

- Communicate regularly with program staff to determine if any new agreements have been signed and to assess the nature, duration, and value of these contracts
- Search for potential contractual obligations by periodically reviewing and following up on media releases and Orders-in-Council (OICs)
- Report all years of a multi-year agreement
- Disclose only the provincial share of obligations under a cost-sharing agreement
- Remove contracts from their schedule when they have expired or have been otherwise terminated

PROGRAM FUNDING

Contractual obligations do not include a government’s obligations related to ongoing programs such as health, welfare, and education. In these cases, a government does not have a contractual obligation to others and maintains complete discretion as to whether to change the level or quality of its programs or the delivery of these programs. However, once a government enters into a contract or agreement, a contractual obligation exists and a certain degree of discretion to avoid the obligation is lost. As a result, signed multi-year funding agreements qualify as contractual obligations and need to be reported as such.

CONTRACT CLAUSES

Often, contracts contain clauses that provide the government with opportunities to rescind the contract should some specified event occur. Examples include, but are not limited to:

- Clauses which indicate that payments are subject to appropriations
- Clauses which require the recipient to continually meet eligibility criteria
- Cancellation clauses
Contracts that contain these types of clauses must be disclosed unless there is clear evidence that a contract will indeed be rescinded. Departments would apply professional judgment in determining what constitutes clear evidence and, in some cases, legal rulings may be needed. Rescinded contracts would continue to be disclosed until all final payments are made (e.g., cancellation penalties, etc.).

**SHARED COST AGREEMENTS**

Governments frequently enter into cost-sharing agreements with other governments or external parties. Typically, these agreements specify some maximum amount that will be paid out under the cost-sharing agreement. Funds are then disbursed to suppliers, service providers, grant recipients, or other payees under secondary agreements (e.g., a construction contract).

On the date the cost-sharing agreement is signed, it may be difficult to assess the timing and amount of future outflows. Nonetheless, the nature and the maximum exposure of the agreement should be reported. This disclosure does not have to appear in the contractual obligations schedule, but should be noted at the bottom of the schedule.

When greater certainty around the timing and amount is known, expected outflows should be reported in the contractual obligations schedule. This may happen, for example, when secondary contracts are signed with external parties.

**Accountability**

**DEPARTMENTS**

Departmental Financial Services Divisions/Corporate Service Units are responsible for:

- implementing and complying with this policy
- tracking all contracts and determining if they require disclosure under the terms of this policy
- maintaining current and accurate contract information
- responding to Government Accounting inquiries regarding contractual obligations
- preparing their annual contractual obligations schedule
- providing the Office of the Auditor General with the evidence requested for the audit of contractual obligations

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For definition, see Budgeting and Financial Management Manual, Chapter 22.3 Government Transfers.
GOVERNMENT ACCOUNTING DIVISION
The Government Accounting Division within the Department of Finance is responsible for:

• distributing the contractual obligations schedule to departments at year-end
• communicating the contractual obligations reporting threshold to departments at year-end
• compiling the list of total contractual obligations for the General Revenue Fund
• compiling the list of total contractual obligations for the consolidated government reporting entity by reference to the financial statements and worksheet packages of the governmental units, government business enterprises, and government partnership arrangements
• liaising with departments and the Office of the Auditor General, as needed
• monitoring the application of this policy
• periodically updating this policy in consultation with departments

Monitoring
Departmental Financial Services Divisions/Corporate Service Units are responsible for monitoring the implementation and compliance of this policy. The Department of Finance, Government Accounting Division is responsible for monitoring the application, performance, and effectiveness of this policy.

References
PS 3390 – Contractual Obligations, Public Sector Accounting (PSA) Handbook

Appendices
18-A Contractual Obligations Decision Tree

Enquiries
Executive Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: June 13, 2013
Approved by: Treasury Board
Effective date: June 13, 2013
Administrative update:
Appendix 18-A

Contractual Obligations Decision Tree

Does a legally binding contract or agreement exist?

Yes

Does it call for settlement via the future sacrifice of economic benefits?

Yes

Is there little to no discretion to avoid settlement once the other party performs as required under the agreement?

Yes

Can the amount of the commitment be reasonably estimated?

Yes

Is the contractual obligation significant?*

Yes

Must be disclosed as a contractual obligation in the Public Accounts.

No

No

No

No

Not a contractual obligation.

No need to disclose the contractual obligation.

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* Significant contractual obligations include but are not limited to those that:
  A) Involve a high degree of speculative risk.
  B) Call for expenditures that are abnormal in relation to the financial position or usual business operations.
  C) Will govern the level of a certain type of expenditure for a considerable period into the future.
  D) Represent commitments that exceed a certain reporting threshold (as determined and communicated by Government Accounting).
18.3 Purchase Orders

Under development.
Chapter 19: Foreign Currency Translation
19.1 Foreign Currency Translation

Policy Statement
It is the policy of the Province of Nova Scotia to report the accounts of the province in Canadian dollars. Transactions, expenses, assets, and liabilities that are denominated in foreign currencies are translated to Canadian dollars before they are recorded.

Policy Objectives
The objective of this policy is to express foreign currency transactions in a manner that is consistent with domestic transactions (Canadian dollar basis).

The policy will conform to generally accepted accounting principles (GAAP) for the Public Sector for foreign currency translations.

This policy supports the following corporate objectives:
• consistency of currency used (Canadian dollars)
• flexibility to incur foreign currency transactions
• fiscal responsibility
• accountability
• compliance with Public Sector Accounting Standards
• need to manage foreign currency transactions
• enhanced measurement of cost of foreign transactions
• improved information to support long-term planning

Application
This policy applies to all transactions throughout the departments and public service votes, most of which belong to Capital Markets Administration and Liability Management and Treasury Services (LMTS).

All other public sector entities related to the Province of Nova Scotia are encouraged to adopt a GAAP-compliant foreign currency translation policy and apply it as soon as is practical.

It is recognized that many entities may already have an appropriate policy in place.

All areas/entities to which this policy is applicable are responsible for implementation and operation of an internal control system that ensures foreign currency transactions are accounted for in accordance with this policy.
Policy Directives

INCLUSIONS
The policy applies to the following:

- revenues and expenses denominated in a foreign currency
- debt denominated in a foreign currency
- sinking fund assets and earnings held in same currency as the related debt
- sinking fund assets and earnings held in Canadian dollars for debt of foreign currencies
- foreign currency denominated fund assets and earnings of the Public Debt Retirement Fund (PDRF)

EXCLUSIONS
The following transactions are excluded:

- foreign currency effects of swaps.

ACCOUNTING
Revenue and Expenses
Revenues and expenses denominated in a foreign currency should be recorded in Canadian dollars using the currency translation rate in effect when the revenues are earned or the goods/services are received.

SAP will perform foreign currency conversions for US dollar amounts only. For currencies other than US dollars, a bank draft is purchased in the desired currency and foreign receipts are converted upon deposit to determine the Canadian dollar value. LMTS is available to provide quotes for the best foreign exchange rates to use on any given day.

Debt
Foreign currency debt is originally converted to Canadian dollars at the currency translation rate in effect on the date of issue, the historical rate.

The outstanding balance of foreign currency debt is translated to Canadian dollars at year end using the current rate, the rate in effect as at the year end date. The gain/loss caused by the change in the current rate is deferred and amortized over the remaining life of the debt on a straight-line basis.

Where a swap is attached to the debt, the final foreign currency translation gains/losses are essentially fixed at the swap rate. At each year end, the swap rate, not the current rate, is the translation rate used to translate the foreign debt into Canadian dollars. Any gains/losses are amortized over the remaining life or until settlement of the debt.
Sinking Funds Held in Foreign Currency
Foreign currency sinking funds are established to provide funds for foreign currency-denominated debt retirement/settlement.

Instalments to sinking funds are recorded in Canadian dollars, translated at the currency translation rate in effect on the date of payment.

The foreign currency value of all sinking fund instalments and withdrawals are translated to Canadian dollars at the current rate at each year end date. Sinking fund earnings are earned throughout the year and therefore are translated to Canadian dollars using an average rate for the year. The gain/loss caused by changes in the current rate is deferred and amortized over the remaining life of the sinking fund investments on a straight-line basis.

Sinking fund income is recorded at the currency translation rate in effect when earnings are allocated.

Sinking Funds Held in Canadian Dollars for Foreign Currency Debt
Since the transactions for these sinking funds are already recorded in Canadian dollars, no translation is required. No exchange gains/losses are generated by these funds.

Amortization of foreign exchange ceases when the monetary item is settled. Any unamortized amounts would be recognized into net income immediately.

In the case of replacement debt, any unamortized foreign exchange gains/losses are not fully recognized into net income immediately but continue to be amortized over the remaining life of the replacement debt.

Policy Guidelines
Debt management decisions will have significant impact on future operations in the form of amortization charges. LMTS considers the impact that any refinancing or changes to existing debt structures may have on annual amortization costs. Given that future foreign currency translation rates are not easily predicted or controllable, amortization charges represent a non-discretionary cost once debt decisions are made. Amortization charges for foreign exchange gains and losses extend to future years.

Budgeting should reflect the multi-year nature of foreign currency translation amortization charges.
Accountability

CAPITAL MARKETS ADMINISTRATION, DEPARTMENT OF FINANCE AND TREASURY BOARD
Capital Markets Administration is responsible to

- account for foreign currency transactions and monetary items in accordance with this policy
- monitor policy and recommend changes to the policy as necessary
- maintain detailed information on all deferred foreign exchange gains/losses
- record amortization of foreign exchange gains/losses
- report foreign currency denominated monetary items and transactions appropriately on the financial statements of the province

LIABILITY MANAGEMENT AND TREASURY SERVICES (LMTS), DEPARTMENT OF FINANCE AND TREASURY BOARD
LMTS is responsible to

- monitor policy and recommend changes to the policy as necessary
- recognize the impact of debt management decisions on the operating budget (i.e., amortization charges)
- determine the most appropriate sources and terms of financing
- ensure that proper control of foreign currency monetary items is maintained

GOVERNMENT ACCOUNTING, DEPARTMENT OF FINANCE AND TREASURY BOARD
Government Accounting is responsible to

- coordinate the annual audit with Capital Markets Administration, LMTS and the auditors
- update this policy in consultation with Capital Markets Administration and LMTS

Monitoring

LMTS, Capital Markets Administration and Government Accounting are responsible for monitoring the application and audit of this policy.

References

Public Sector Accounting Standards
   2601 Foreign Currency Translation

Appendix

Appendix 19-A Definitions

Note: This appendix is an integral part of this policy.
Enquiries
Executive Director, Government Accounting
Department of Finance and Treasury Board
(902) 424-7021

Executive Director, Liability Management and Treasury Services
Department of Finance and Treasury Board
(902) 424-2435

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Appendix 19-A

Definitions for Province of Nova Scotia

AMORTIZATION
The process of allocating costs over the estimated or known life of the monetary item to match costs with the revenues or public services that they help generate. The method of amortization used should best match the costs of the associated revenues or expenses.

CURRENCY RISK
Currency risk is the risk of changes in the value of an asset or liability due to changes in exchange rates.

FAIR VALUE
Fair value is the amount of the consideration that would be agreed upon in an arm’s length transaction between knowledgeable, willing parties who are under no compulsion to act.

FOREIGN CURRENCY TRANSACTIONS
Transactions denominated in a currency other than Canadian dollars.

FOREIGN EXCHANGE GAINS AND LOSSES
Result when a foreign currency denominated monetary item is settled or translated at an exchange rate different from that at which it was previously recorded or carried. The exchange gain or loss would be included in net income except when the monetary item has a fixed or ascertainable life extending beyond the end of the following fiscal year, in which case the exchange gain or loss would be deferred and amortized over the remaining life of the related monetary item.

HEDGE ACCOUNTING
Hedge accounting is a method for recognizing the gains, losses, revenues and expenses associated with the items in a hedging relationship, such that those gains, losses, revenues and expenses are recognized in operations in the same period when they would otherwise be recognized in different periods.
HEDGE EFFECTIVENESS
Hedge effectiveness is the extent to which changes in fair value or cash flows of a hedged item relating to the foreign exchange risk being hedged and arising during the term of a hedging relationship are offset by changes in fair value or cash flows of the corresponding hedging item related to the foreign exchange rate and arising during the same period.

HEDGED ITEM
Hedged item is all or a specified portion of an asset, a liability, or a group of similar assets or liabilities having an identified foreign exchange risk exposure that a government has taken steps to modify.

HEDGING ITEM
Hedging item is all or a specified portion of an asset, a liability or group of similar assets or liabilities modifying the foreign exchange risk exposure identified in the hedged item.

HEDGING RELATIONSHIP
Hedging relationship is a relationship established by government between a hedged item and a hedging item, including a synthetic instrument relationship.

HISTORICAL RATE
The foreign currency exchange rate in effect at the date of issue of the debt. It becomes the basis for any future gains and losses as the exchange rates fluctuate.

MONETARY ITEMS
Cash and claims to cash, the value of which, in terms of the monetary unit, whether foreign or domestic, is fixed by contract or otherwise.

REPLACEMENT DEBT
Issued to replace original debt that has been paid out. The terms are essentially the same, such that it is really a continuation of the original debt. The currency denomination and creditors are the same. The present value of future cash flows is substantially the same, not more than 10 per cent difference from the original expected cash flows.

SYNTHETIC INSTRUMENTS
Synthetic instruments are monetary items that are artificially created through the use of other monetary or derivative items in combination to emulate the characteristics and behaviour of a specific monetary item.
SYNTHETIC INSTRUMENT ACCOUNTING
Synthetic instrument accounting is a method of accounting for the assets and liabilities in a synthetic instrument relationship as though they were the item being emulated.
Chapter 20: Debt Management
20.1 Granting and Recording Loans

Under development.
20.2 Sinking Funds

Under development.
20.3 Derivatives

Under development.
20.4 Hedge Accounting

Under development.
20.5 Guarantees

Under development.
Chapter 21: Revenue Recognition
21.1 Revenues, Recoveries and Fees

Policy Statement
It is the policy of the Province of Nova Scotia to record revenue, recoveries and fees on an accrual basis in accordance with generally accepted accounting principles for the public sector.

Definitions

EXTERNAL RESTRICTIONS
External restrictions are stipulations imposed by an agreement with an external party, or through legislation of another government, that specify the purpose or purposes for which resources are to be used.

FEES AND OTHER CHARGES
Fees and other charges are comprised of charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items.

RECOVERIES
Recoveries arise from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf.

REVENUES
Revenues are fees, licenses or taxes which are regulatory in nature.

Policy Objectives
The objective of this policy is to distinguish between revenue, recoveries, and fees and describe the appropriate process for recording these items.

Application
This policy applies to all revenue and/or monies received by any government department from a source external to government, including other levels of government. It does not apply to Federal Transfers (see Policy 21.2 Federal Transfers for specific directions about federal transfers.)
Policy Directives

Consideration must be given to the nature of a transaction in determining if it is a revenue, recovery or a fee. The following provides some directives on defining and recording such transactions:

**REVENUE**

Revenues are fees, licenses or taxes which are regulatory in nature. Revenue earned from sources such as taxes, licensing and permits, gaming income, equalization payments and interest are considered revenue. For example, the authority to collect charges for elevator inspections is stated in provincial regulations so these charges qualify as revenues. Revenues are accounted for in the period in which the transactions or events giving rise to the revenues occur.

Revenues are recorded in the general ledger account range 300000-399999. Federal Transfers are considered revenues and are recorded within this same account range.

**RECOVERIES**

Recoveries arise from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf. The province will record a recovery when it has met the conditions of the recovery agreement. For example, the province may “earn” or become eligible for a recovery once it has incurred expenses for a project or at the completion of an audit of the project costs. The point at which a recovery is earned will depend on the terms of the cost sharing agreement.

Recoveries are recorded in the general ledger account range 500000-599999. These accounts are often reported as a component of Net Program Expenses. Generally accepted accounting principles require that the amount of gross expenses before the impact of recoveries must be reported in the province’s financial statements.

**FEES AND OTHER CHARGES**

Fees and other charges are charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items. Similar to revenue items, these fees are recorded in the period in which the transactions or events giving rise to the revenues occur.

Fees and other charges are recorded in the general ledger account range 901100-909900. These accounts are often reported as a component of Net Program Expenses. Generally accepted accounting principles require that the amount of gross expenses before the impact of recoveries must be reported in the province’s financial statements.
Policy Guidelines

Accounting for and reporting revenue requires consideration of the nature of restrictions, if any, on revenues. Governments operate under different types of limitations and the province’s access to resources (revenues) may be restricted by varying degrees. Some restrictions are imposed by the province’s own legislation, where the terms and conditions of the legislation establish an accountability relationship with an external party. Internal restrictions can be modified by the government if deemed necessary.

Restrictions can be externally imposed by agreements with external parties or by legislation of another government. External restrictions are out of the control of the recipient government, impacting the timing of revenue recognition. The province is a recipient of these certain streams of revenue that contain such restrictions from external parties. Resources restricted by agreement with an external party, or by legislation of another government, are the least accessible of the province’s resources. They cannot be used for other than the stipulated purpose unless the government obtains approval or permission from the external party or there is a change in the pertinent legislation.

Externally restricted inflows should be recognized as revenue or recovery in the province’s financial statements in the period in which the resources are used for the purpose or purposes specified. Sometimes cash is received before purpose restrictions have been satisfied (earnings process completed). Such advance payments should be reported as a liability (deferred revenue) until the resources are used for the purpose or purposes specified. At that time, both the expense and related revenue would be recorded in the accounts of the province.

Accountability

Departments are responsible for ensuring that all revenue, recoveries, and fees are recorded appropriately in their accounts.

Government Accounting provides appropriate disclosure in the province’s financial statements.

Monitoring

Government Accounting will monitor the policy’s implementation, performance and effectiveness.
References

- PSAB Handbook Section PS 1200 Financial Statement Presentation
- PSAB Handbook Section PS 3100 Restricted Assets and Revenues
- PSAB Handbook Section PS 3410 Government Transfers

Enquiries

Director, Government Accounting
Department of Finance
(902) 424-7021

<table>
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<tr>
<th>Approval date:</th>
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21.2 Federal Transfers

Policy Statement

It is the policy of the Province of Nova Scotia to record Federal Transfers in accordance with generally accepted accounting principles for the public sector.

Definitions

AUTHORIZATION
A transfer is authorized when the federal government (a) has the authority to enter into a transaction, which is conveyed through approved legislation or regulations, and (b) the federal government has exercised the authority. Authorization is usually derived from an approved federal budget or program approvals. The exercise of authority under approved legislation or regulation does not need to include the authority to spend.

CLOSE OF PERIOD 12
Last date that entries can be posted to period 12 in the fiscal year. This usually falls in early or mid May.

ELIGIBILITY CRITERIA
Eligibility criteria are a type of stipulation that specify what characteristics recipients need to have or what they need to do in order to qualify to receive a transfer. Eligibility criteria may include having certain characteristics specified by the transferring government, incurring a reimbursable cost under an applicable program, or completing an action that must be accomplished in order for the recipient to qualify to receive the resources.

FEDERAL TRANSFERS
Includes all revenue transfers to the province from the federal government including Canada Health Transfer (CHT), Canada Social Transfer (CST), Equalization Transfers, as well as taxes collected on behalf of the province and other transfers from the federal government that are considered revenue.

FEDERAL TRANSFERS RECEIVABLE AND FEDERAL TRANSFERS PAYABLE
Federal Transfer amounts owed to or owed by the federal government to the province and still outstanding at fiscal year end. These amounts apply to amounts that arise from variances between the Federal Transfers estimated by the Provincial Forecasting Model and the cash payments received.
FEDERAL ADJUSTMENT PERIOD
Normally a three year period, subsequent to a fiscal year end, in which the federal government may make adjustments to the transfers it has allotted to the provinces.

PERIOD 12
The accounting period ended March 31 of the fiscal year.

PRIORYEARS’ ADJUSTMENTS (PYA)
Federal Transfers of prior years resulting from changes to estimates of the federal government or the provincial forecasting models.

PROVINCIAL FORECASTING MODEL
Economic and statistical models, coupled with policy rules for each type of revenue, that are used to generate calculations for expected Federal Transfers in each fiscal year.

Policy Objectives
The objective of this policy is to define the recognition criteria and recording process for Federal Transfers. The policy also clarifies when to record or adjust Federal Transfers Receivable or Federal Transfers Payable and Prior Years’ Adjustments.

Application
This policy applies to all transfers from the federal government that are considered revenue.

The CSU provides accounting assistance for revenues from the federal government including the following:

- Personal Income Tax (PIT)
- Corporate Income Tax (CIT)
- Corporation Capital Tax for Non-Financial Institutions (often called “Big Business Tax”) CCT-(NFI)
- Harmonized Sales Tax (HST)
- Preferred Share Dividends
- Equalization
- Canada Health & Social Transfer (CHST) (this was replaced by the CHT and CST in 2004-05)
- Canada Health Transfer (CHT)
- Canada Social Transfer (CST)
- Statutory subsidies
• Offshore Oil and Gas Licences and Forfeitures  
• Offshore Petroleum Royalties

It should be noted that Corporation Capital Tax - Financial Institutions is not included. As of April 1, 2003, the administration of CCT-FI was moved from Department of Finance to Department of Service Nova Scotia & Municipal Relations. Payments for this program are made monthly, directly from the financial institutions to the province and are not considered part of Federal Transfer Payments.

Policy Directives

**REVENUE RECOGNITION**

Federal Transfers are recognized in revenue in a fiscal year when all the following are achieved:

• Authorization for the Federal Transfer is obtained by March 31st of the fiscal year in question.
• All eligibility criteria for the Federal Transfer have been satisfied by March 31st of the fiscal year in question.
• A reasonable estimate of the Federal Transfer can be made. Estimates are updated for all information received to the date the financial statements are released.

The amount of Federal Transfers revenue due to the province in any year may be based on a federal budget allocation of funds for a specific program or project. Usually the amounts of revenue are quite clearly defined by the program or project.

Many of the province's significant Federal Transfers are determined by federal-provincial funding agreements tied to a number of economic and statistical factors such as taxes collected, Gross Domestic Product, population, results from other provinces, etc. These revenue amounts are less defined so are estimated using forecasting models fed by the variables in the agreements. The province's Federal Transfers are estimated by the Provincial Forecasting Model managed by the Fiscal and Economic Policy Branch of the Department of Finance. These estimates are quite detailed and reliable, therefore, appropriate measures of recording revenue of each year.

**RECORDING REVENUE**

Postings to the revenue accounts are completed on an annualized basis, and not on a periodic posting basis. Revenues are recorded at once for the entire year based on forecasted. The provincial forecast may (and often) differs from the federal forecast.
due to timing differences in the two sets of estimations. It is the Provincial Forecast that is recorded in the general ledger.

The province tracks Federal Transfers and related adjustments and payments by revenue type for each fiscal year specifically. An SAP Accounts Receivable Module (AR sub-ledger) is maintained to record the original revenue estimate as receivable and subsequently to record any adjustments for new information and any payments received from the federal government. Normally an AR sub-ledger customer is the name of a company or person who owes money. In this case, the customer accounts are named according to revenue type and fiscal period, such as HST 2004–05 separate from HST 2005-06.

In the event that there is a variance between the amount of Federal Revenue that has been estimated by the province and the amount of Federal Transfers received in the year, the province’s AR sub-ledger will show a net balance – either a Federal Transfers Receivable or a Federal Transfers Payable.

As the province receives new information in subsequent years, the Provincial Forecasting Model is updated. Updated estimates of revenues for the past years are prepared. Additional receivables or payables are recorded to adjust the revenue to the new estimates. These are recorded as revenues of the current fiscal year but separate from the current year’s estimated revenues. The adjustments to past years’ revenues are recorded separately from current year revenues in revenue accounts called Prior Years’ Adjustments. The AR sub-ledger is adjusted accordingly for that revenue type of the past fiscal year.

The federal government will make revenue adjustments to Provincial allocations for up to three years after the fiscal year to which the revenues pertain. At the end of the three year period, the federal government has completed its final assessments and further adjustments for revenue are not usually made. Periodically an adjustment to the final assessment is required in the fourth year after a fiscal year. The province will adjust any remaining receivable or payable balances to zero after four years, one year after the Federal Adjustment Period expires.

Recording of Federal Transfers and Prior Years’ Adjustments is usually cut off at the end of period 12 to reflect the most recent results from the Provincial Forecasting Model’s calculations. If new information becomes available up to the date of financial statement finalization, during periods 14 and 15, it will be reviewed for its impact on revenues. If there is a material impact, further adjustments will be recorded, usually in early to mid September.
PAYMENTS PROCESSING
The federal government remits most funds electronically with an accompanying transmittal letter containing details about the payment. Payments are received in the bank and credited to Federal Payments Clearing account (116404) by Liability Management and Treasury Services (LMTS).

The Natural Resources CSU and Finance CSU clear out the AR Clearing account by applying the payment to the appropriate AR sub-ledger accounts as partial payments only, without clearing against documents on the account. Payments posted on account need to be specifically identifiable in the records for an audit trail that matches the payment remittance letters.

On a monthly basis the CSUs advise LMTS of any payments that were not credited to the Federal Payments Clearing account (116404). LMTS reviews incoming deposit information and either corrects a mis-posting or advises that the federal transfer payment was not received. The CSU contacts the Fiscal Policy accounting supervisor who pursues further explanations from the appropriate officials at the federal government.

Payments should be applied on a timely basis and the Federal Payments Clearing account (116404) is to be cleared to zero monthly. To accomplish this, the Fiscal Policy accounting supervisor should provide the Manager of Accounting in the Finance CSU with copies of all transmittal letters before the 24\textsuperscript{th} of each month.

Industry codes have been established to allow for sorting of the accounts receivable trial balance by revenue type. In the event that a new industry code is required to track a new revenue source, Fiscal Policy will request this from the Finance CSU who will request this from SAP.

POLICY GUIDELINES
The Minister of Finance has a legislated obligation to table the Public Accounts in the House of Assembly no later than September 30\textsuperscript{th} following the year end of the province\textsuperscript{1}. In order to meet this obligation, adjustments to revenues and all other accounts must cease by mid-September to allow time to finalize and publish the Public Accounts. Consistent treatment for the recognition of Federal Transfers and Prior Years’ Adjustments will ensure comparability of revenues in subsequent years.

\textsuperscript{1}Finance Act, Section 59
Accountability

The management of estimating and recording Federal Transfers requires the collaboration of the following groups with specific responsibilities as follows:

**FISCAL AND ECONOMIC POLICY BRANCH, DEPARTMENT OF FINANCE - EXCEPT PETROLEUM ROYALTIES REVENUE**

- forecast and report Federal Transfers and PYA. Provide information to CSU for recording the revenues
- obtain monthly EFT deposit notifications from the federal government
- code the customer number on the monthly EFT deposit notifications and forward to the Finance CSU
- prepare forms for final adjustments of customer balances (debit or credit) using the Federal Revenue Adjustment Form
- obtain the annual cash flow projections from the federal government
- prepare a Federal Revenue Adjustment Form using the annual cash flow projection from the federal government and forward, with a copy of the cash flow adjustment attached, to the Finance CSU for processing

**FINANCE CSU, DEPARTMENT OF FINANCE**

- record revenues using the SAP Accounts Receivable Module by type and by year
- transfer deposits in 116404 Clearing account to the SAP Accounts Receivable Module customer for which the payment relates
- create and maintain customer files of supporting documentation
- file the payment and adjustment (#1400) documents in each customer file
- close customer accounts in consultation with the Director of Fiscal Policy
- submit closed files for archiving in accordance with the STAR/STOR guidelines for the province
- on a monthly basis run a trial balance for the AR sub-ledger and ensure it agrees to the general ledger control account balance. Forward the trial balance to the Director of Fiscal Policy for review. This report can be printed by revenue type using the industry code, if desired. On an annual, or as requested basis, produce a statement of account for each customer account that indicates the transactions processed through each account. Provide these statements of account to Government Accounting for the year-end audit files. Alternatively, provide a report on open items for all customers.

**DEPARTMENT OF ENERGY - PETROLEUM ROYALTIES REVENUE ONLY**

- forecast current year and PYA royalties. Forward information to Natural Resources CSU
• obtain monthly EFT deposit notifications from the federal government
• work with Natural Resources CSU to ensure cash receipts are reconciled with forecasted revenues
• review of revenues recorded in the accounts

FINANCE CSU, DEPARTMENT OF NATURAL RESOURCES - PETROLEUM ROYALTIES REVENUE ONLY
• record revenues using the SAP Accounts Receivable Module by type and by year, based on revenue forecast information received from Department of Energy
• obtain monthly EFT deposit notifications from the federal government
• code the customer number on the monthly EFT deposit notifications and forward to the Finance CSU
• prepare forms for final adjustments of customer balances (debit or credit) using the Federal Revenue Adjustment Form
• transfer deposits in 114604 Clearing account to the SAP Accounts Receivable Module customer for which the payment relates
• create and maintain customer files of supporting documentation
• file the payment and adjustment (#1400) documents in each customer file
• close customer accounts in consultation with the Director of Fiscal Policy
• submit closed files for archiving in accordance with the STAR/STOR guidelines for the province
• on a monthly basis run a trial balance for the AR sub-ledger and ensure it agrees to the general ledger control account balance. Forward the trial balance to the Director, Fiscal Policy for review. This report can be printed by revenue type using the industry code, if desired. On an annual, or as requested basis, produce a statement of account for each customer account that indicates the transactions processed through each account. Provide these statements of account to Government Accounting for the year-end audit files. Alternatively, provide a report on open items for all customers.

LIABILITY MANAGEMENT AND TREASURY SERVICES, DEPARTMENT OF FINANCE
• record EFT deposits in SAP in account 114604 Clearing account

GOVERNMENT ACCOUNTING, DEPARTMENT OF FINANCE
• accounting interpretation and reporting support as required

Monitoring
Government Accounting will monitor the policy’s performance and effectiveness.
References

PSAB Handbook Section PS 3200 Subsequent Events
PSAB Handbook Section PS 3410 Government Transfers

Enquiries

Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: August 21, 2008
Administrative update: October 7, 2010
Chapter 22: Expenses
22.1 Expenses – General

Policy Statement
It is the policy of the Province of Nova Scotia to record expenses on an accrual basis in accordance with generally accepted accounting principles for the public sector. Further, it is the policy of the Province to record expenses at their gross amounts. Recoveries and fees are not netted against the expenses to which they relate.

Definitions

EXPENSE
Decrease in economic resources, either by way of outflows or reductions of assets or incurrence of liabilities, resulting from the operations, transactions and events of the accounting period. Expenses include transfer payments due where no benefit is received directly in return.

GROSS EXPENSES
Full amount of expenses excluding recoveries and fees that are directly related to the expenses.

RECOVERIES
Created from an agreement with an external party to compensate the province for the full cost or a portion of the cost incurred on its behalf.

FEES
Charges to identifiable clients outside government pertaining to the provision of goods and/or services from sources other than regulatory/legislated items.

Policy Objectives
The objective of this policy is to ensure that expenses are properly, consistently and accurately identified and recorded in the Public Accounts.

Application
This policy applies to all departments and public service agencies contained within the General Revenue Fund.
Policy Directives

This policy should be read in combination with 16.1 Liabilities – General and 22.3 Government Transfers.

GENERAL RECOGNITION
Expenses are recorded during the period in which (1) there is an appropriate basis of measurement, and (2) a reasonable estimate can be made of the amount involved.

At times, an exact amount of expense is not known, whereby a reasonable estimate is accrued to ensure the expense is captured during the correct period when the obligation arose (i.e., when the goods / services were received, etc.) A reasonable amount may be calculated or estimated using methods such as past/similar experience or by using quoted prices in a situation where goods or services have been received.

Any revisions to accruals that are known before the financial statements are completed are to be adjusted in those financial statements.

LOAN GUARANTEES AND OTHER CONTINGENT LIABILITIES
Expenses are recognized only when any amount of loss/expense is (1) likely, and (2) the amount of the loss/expense can be reasonably determined.

OUTSTANDING PURCHASE ORDERS FOR GOODS OR SERVICES NOT YET RECEIVED
No expense is recognized until goods or services are received.

Accountability
Departmental Financial Services Divisions of Corporate Service Units are responsible for ensuring that expenses are appropriately and completely reflected in their departments’ accounts. Departments and public service votes are also responsible for policy implementation and compliance.

Government Accounting is responsible for policy development and enforcement. Government Accounting coordinates with departments to obtain information necessary for presentation and disclosure in the Province’s financial statements.

Monitoring
Government Accounting will provide necessary guidance to each department in applying this policy. Further, Government Accounting will monitor compliance with, and the effectiveness of, the policy across the departments.
References
PS 1000 Financial Statement Concepts
PS 3200 Liabilities
PS 3300 Contingent Liabilities
PS 3310 Loan Guarantees

Enquiries
Executive Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: August 21, 2008
Administrative update: June 21, 2013
22.2 Business Area 6300 – Restructuring Costs

Policy Statement
This Business Area exists to capture the current and prior years costs expended on corporate initiatives. These costs are not incurred at the discretion of departments, would not normally be part of a department’s operations and/or may not be directly attributable to any one department. The costs may also arise from third party contract or legal negotiations for current and past years.

Policy Objectives
The objective of the policy is to ensure the accuracy of items being charged to business area 6300.

Application
The following costs are to be charged to the appropriate cost centre:

**COST CENTRE 320002 – WORKFORCE ADJUSTMENT**
This cost centre is for workforce adjustment initiatives, which may be applicable to all departments, governmental units, government business enterprises and other entities included in the Government Reporting Entity. Examples include severance payments and related settlement costs, such as legal, training and benefit costs.

**COST CENTRE 320006 – PROVISION FOR CONTRACT NEGOTIATIONS**
This cost centre is used for the costs associated with employment contracts that are still in the negotiation process as well as the actual cost related to the negotiation. This cost centre is sometimes referred to as the “Central Wage Pool”. It is important that these costs be budgeted centrally and not in departments for negotiation purposes.

In April 1997, the Deputy Attorney General addressed this issue. It was his opinion that statutory provisions justify withholding budget information, which could benefit unions during collective bargaining.

“...release of this information could reasonably be expected to harm the financial interests of the Government of Nova Scotia during the collective bargaining process and therefore the information will not be disclosed...”
The ongoing costs resulting from the actual contract settlement are transferred to the appropriate departmental budgets in the fiscal year after the settlement.

On occasion, it is necessary to include an allocation based on the “last known government offer” in departmental budgets. Should the final settlement(s) for those contracts, where funding has been transferred into the departmental budgets, exceed the amount allocated to the departments(s) in the fiscal year, in which the settlement is reached, the excess amount will be recovered by the department(s) from the “Central Wage Pool.”

The amount budgeted in the “Central Wage Pool” includes both the retroactive portions of any contracts settled during the fiscal year, as well as any amounts required for the fiscal year, which were not specifically included in the departmental budget allocations for that fiscal year.

Departments may not assume that this provision will cover any departmental wage costs unless the department has provided Treasury Board Office staff with notification of the negotiations and an assessment of the possible costs.

**COST CENTRE 320007 – BUSINESS PROCESS RE-ENGINEERING**

This Cost Centre accumulates costs incurred in conjunction with the restructuring of government, such as in the merging of business areas or the major reorganization of a department. These costs would not normally be included in a departmental operating budget.

Also included in this cost centre are the costs associated with corporate initiatives, which cannot always be attributed to a specific department, such as the following:

- **SAP initiative**
  - this order includes costs connected to the SAP Initiative with the broader public service, which is definitely a corporate cost, and includes the costs connected to the roll-out of SAP to the municipal units

- **SAP/HR initiative**
  - the SAP/HR initiative is the “e-Merge project”, which is the development and implementation of the SAP/HR module for both the Province of Nova Scotia and the regional school boards, and this order includes all the non-capital costs incurred for that project
• **SFEF Operations**
  - this order accumulates operational costs related to the Senior Financial Executive Forum; any specific costs that are corporate in nature, as opposed to being related to a particular department, are charged here
• **1986 Accord Review**
  - these are costs connected to the next phase of the Campaign For Fairness, which relates to federal equalization.

**COST CENTRE 320008 – WAGE AND FRINGE BENEFITS ADJUSTMENTS**

This cost centre is used for the employers’ cost associated with adjustments to wages and fringe benefits that are not directly related to contract negotiations and cannot be distributed across departments because of allocation or timing issues, which may or may not be made available for departmental recovery.

For example, the decision to increase the Public Service Superannuation Plan contributions for both the employers and employees participating in the plan by 1%, effective June 1, 2004 was made too late in the 2004-2005 budget process to adjust the departmental budgets and still meet the budget timetable. Therefore, the funds were allocated to this cost centre and the employers were able to recover the increased costs during the fiscal year.

**COST CENTRE 320009 – HUMAN RESOURCE STRATEGY**

The Public Service Commission provides leadership, strategic direction and expertise in human resource management to support the development of a strong public service and there are a number of Human Resource Strategy initiatives administered by the Commission, which are corporate in nature and thus are funded from this cost centre. Examples include the following:

• the Career Assignment Program (CAP) to give potential executives opportunities to develop at a senior level
• a Management Orientation Program to ensure new managers have the required tools to perform their role
• resources dedicated to begin a strategy for ensuring sufficient capacity in government in the areas of finance, human resources and information technology
COST CENTRE 320014 – ORC RESTRUCTURING COSTS
Any recoveries that cannot be allocated to a particular department, as well as recoveries from prior fiscal years are recorded in this cost centre. Examples include uncashed (stale dated) cheques and similar items. Another item included in this cost Centre is the amount received from SOEI related to the NS Gas Market Development Agreement.

COST CENTRE 320012 – KAUFMAN
This cost centre is for the costs associated with the settlements resulting from the Kaufman Institutional Abuse case. The cost centre was created in fiscal 2002–2003.

Accountability
Treasury Board Office staff are responsible for recording these expenses in accordance with the policy and providing supporting documentation.

The Policy and Planning Division, Department of Finance, is responsible for monitoring expenses recorded in this category.

Monitoring
Government Accounting, Department of Finance, is responsible for the review and update of this policy.

Enquiries
Director, Government Accounting, Department of Finance
(902) 424-7021

Executive Director, Treasury Board Office
(902) 424-6542

Executive Director, Policy and Planning Division, Department of Finance
(902) 424-4753

Approval date: July 31, 2008
Approved by: Executive Council
Effective date: August 21, 2008
Administrative update: January 25, 2010
22.3 Entitlements, Grants and Shared Cost Agreements

Under development.
Chapter 23: Special Purpose Funds
23.1 Special Purpose Funds

Policy Statement
It is the policy of the Province of Nova Scotia to account for and report Special Purpose Funds in the Public Accounts in compliance with Public Sector Accounting Board (PSAB) standards.

Definitions

GOVERNMENT REPORTING ENTITY
Should comprise the organizations that are controlled by the government. These include the General Revenue Fund (through which all receipts and disbursements of public money flow) and other organizations that are owned and/or controlled by the province.

EXTERNAL RESTRICTIONS
Stipulations imposed by an agreement with an external party, or through legislation of another government, that specify the purpose or purposes for which resources are to be used.

SPECIAL PURPOSE FUNDS
These funds are created by the government to reflect their intentions to undertake certain future activities or to demonstrate compliance with legislation. Special Purpose Funds are monies set aside from normal operations, for a specific internally designated purpose that is controlled by the government so are consolidated in the province's financial statements.

Policy Objective
The objective of this policy is to define special purpose funds and to describe the appropriate accounting treatment.

Application
This policy applies to all special purpose funds as defined by this policy that are administered by any government department, agency, board or commission of the General Revenue Fund and by other members of the government reporting entity.
Policy Directives

PROCESS AND PROCEDURES
Special Purpose Fund deposits reside with the Department of Finance and are managed through Liability Management and Treasury Services (LMTS). Each fund has its own bank account and resulting administrative procedures connected to it. The administrative costs related to Special Purpose Funds are significant. In many cases, the purpose of the fund can be better achieved as a departmental initiative whereby the process surrounding administration, budgeting and financial reporting are reduced.

Special Purpose Funds are created pursuant to Sections 2 and 13 of the Finance Act. The Finance Act provided both the authority for the creation of the fund as well as the fund’s spending authority.

2 (ac) “special purpose fund” means public money designated by the Minister as a special purpose fund in accordance with the Finance Act.

13 (1) All money received by the Minister must be deposited to the credit of the Minister in the General Revenue Fund or the appropriate trust fund.

A department must demonstrate the need for and purpose of a Special Purpose Fund in a Report and Recommendation submission to Executive Council. Once reviewed, a successful request will be forwarded to Executive Council for consideration. The Department of Finance often provides advice to parties involved when necessary. Approval is granted by OIC to create the Fund.

Once created, the department is responsible to provide Liability Management and Treasury Services with the OIC and a properly completed signing authority form (Appendix 23-B and 23-C). At that point, a bank account for the Fund will be opened.

Now that the province produces consolidated financial reports, the need for Special Purpose Funds is much more limited. The transfer of monies between departmental budgets and a Special Purpose Fund will not impact the overall operating results on a consolidated basis. It is no longer a possible method to carry over budget dollars to a future year.

When the need for any Special Purpose Fund has passed, Government Accounting and Treasury Board Office should be contacted to arrange for the Fund to be dissolved as quickly as possible.
ACCOUNTING FOR FUNDS

The finance division of each department is responsible for administration, accounting and control over the Special Purpose Funds connected to it.

LMTS opens a bank account and invests all excess funds. In cases where it is preferred that a cash balance be maintained (no investment) LMTS must be notified in writing. Continuity statements are prepared on a monthly basis and sent to the related department. These statements must be reviewed to ensure accuracy and all discrepancies clarified.

A continuity statement capturing the activity for the fiscal year will be prepared and sent to each related department. Each department must maintain source records for all deposits into the fund and all expenditures out of the fund. The finance division of the related department must prepare financial statements for their Special Purpose Funds. These must reconcile to the LMTS continuity statements.

The Handbook requires consolidation of all entities which are controlled by the government. Control is determined on an individual basis and considers many factors. See 4.1 Government Reporting Entity for a full questionnaire to assess if an entity is part of the government reporting entity. Special Purpose Funds are controlled by government and are included in the government reporting entity, consolidated on a line-by-line basis. This means that income or expense of the SPF becomes part of consolidated total income or expense for the province. Expenses of the Special Purpose Funds are included and grouped with its “home” Department in Schedule 2 to the Consolidated Financial Statements.

RESTRICTIONS

Access to the resources of a Special Purpose Fund will determine whether it is classified as externally restricted or internally restricted. This is an important issue because it determines the method of accounting for revenues.

Externally restricted Special Purpose Funds bear restrictions imposed by agreements with external parties or by legislation of another government. The agreements will specify the purpose or purposes for which the underlying resources are to be used. When accounting for an externally restricted Special Purpose Fund, revenue recognition is deferred until the related expenses are incurred.

PS 3100.11 Externally restricted inflows should be recognized as revenue in a government’s financial statements in the period in which the resources are used for the purpose or purposes specified. An externally restricted inflow received
before this criterion has been met should be reported as a liability until the resources are used for the purpose or purposes specified.

Internally restricted Special Purpose Funds have no external restriction, but rather are restricted internally as a result of the province’s own legislation. The restrictions are under the control of the government so the government can change the direction of funds without the consent of anyone else. In such a case, revenue recognition occurs under the same basis as revenue of the General Revenue Fund, when it has been earned instead of when it has been spent. The majority are internally restricted.

PS 3100.20 Restrictions on the use of the assets or net assets of certain entities can also be imposed by a government’s own legislation. However, since a government can change its own legislation, such restrictions are different from those imposed by external parties.

The finance division of the related department for each Special Purpose Fund must prepare annual financial statements and year end consolidation information package. Government Accounting will request such information to be submitted by June 30 each year to aid in preparation of consolidated financial statements. During the consolidation process, consolidation entries will eliminate inter-departmental and inter-entity amounts.

Policy Guidelines

BUDGETING AND FORECASTING

The authority for departmental spending comes from the budget. The authority for spending out of a Special Purpose Fund comes from the Finance Act. Treasury Board incorporates the anticipated revenues and spending out of the Special Purpose Funds into the overall budget. As a result, Treasury Board, as part of the normal budget process, requires the following information:

- Revenue from external (non-government) sources
- Revenue from internal sources
- Expenditures to external (non-government) entities
- Expenditures to internal entities

The finance division of the related department must ensure there are appropriate administrative and internal controls in place to efficiently and accurately develop and communicate the anticipated spending to Treasury Board.
TANGIBLE CAPITAL ASSETS
On occasion, some Special Purpose Funds will acquire tangible capital assets (TCA) that will be significant enough to require capitalization according to the province’s tangible capital assets policy. This TCA will reside within the accounts of the related department. Approval for all TCA acquisitions by a Special Purpose Fund must be received from Treasury Board as it has implications on the TCA budget.

Controls within the finance division of the related department must be established over the recording of these capital acquisitions and there must be coordination with Government Accounting.

Accountability
Departments are responsible for the following:

- Contacting both Government Accounting and Liability Management and Treasury Services at the Department of Finance to initiate the management of funds as described above
- Participate in the preparation of relevant enabling documents (e.g., Report and Recommendation to Executive Council and Order in Council) for creation of the fund
- Administration, accounting and control over all special purpose funds and trust funds connected to that department, including the preparation of financial statements and relevant consolidation information
- Ensure appropriate administrative and internal controls are in place to efficiently and accurately develop and communicate anticipated spending to Treasury Board as part of the budget and forecast process
- Ensure compliance with TCA policy where applicable

Government Accounting, Department of Finance is responsible for:

- Providing advice to departments in the creation and administration of funds
- Assisting departments with the year end reporting requirements (i.e., financial statements, consolidation package and other consolidation reporting requirements)
- Including the special purpose funds as an entity in the year end consolidation process

Liability Management and Treasury Services, Department of Finance will manage the required bank accounts and invest excess funds.
Monitoring
Government Accounting will monitor the policy’s implementation, performance and effectiveness.

Enquiries
Director, Government Accounting
Department of Finance
(902) 424-7021

Approval date: July 31, 2008
Effective date: August 21, 2008
Approved by: Executive Council
Administrative update: October 18, 2010
Appendix 23-A

Request and Authorization Form to Set up a Trust or Special Purpose Fund with the Department of Finance

Trust Fund Name & No:

Please provide the following information and/or documents:

RBC 215–

1. Copy of OIC or equivalent documentation authorizing the establishment of the trust fund. □

2. Extract from the documentation naming Department of Finance as trustee. □

3. Investment policy guidelines for the trust fund:

   Term: 30 days, 60 days, 90 days, Other: please specify:

   ______________________________________________________

   Any additional guidelines:

   ______________________________________________________

4. Amount and timing of payments to the fund.

   Approximate amount of payments: $ __________

   Timing of payments: monthly, quarterly, semi-annually, annually, or other: please specify:

   ______________________________________________________

5. Contact name from the department requesting the trust fund for instructions, source of payments and receipt of withdrawals:

   Contact Name: 
   Phone Number:      Fax Number:
6. Amount and timing of withdrawals from the fund.
   Approximate amount of withdrawals: $ __________
   Timing of withdrawals: monthly, quarterly, semi-annually, annually, or other: please specify: ______________________________________________________

7. Set up signing authorities, using the form letter attached, in order for the trustee (Department of Finance) to know who it can accept instructions from in all matters relating to the trust fund. Also, for setting up signing authorities for withdrawals from the trust fund.

8. Does the department requesting the trust fund, wish to receive Continuity Statements for the trust fund? If yes, how often? Monthly __________ , Yearly __________ , or Both __________?

9. Are there any liability issues? That is, if the trustee invests funds in accordance with the instructions provided, but the amount realized on the due date is insufficient to meet the capital expense on that date – who is liable for the shortfall? ____________________________________________________________

10. Is there any disposal instructions for the residual proceeds (if any) when the trust fund is closed? ____________________________________________________________

Purpose: Performance Bond –

Principal: Start Date: Finish Date:

Note: Please put the attached form letter on your department’s letterhead.
Establishment of Signing Authority for Special Purpose Funds

January 8, 2003

Ms. Vicki Harnish
Deputy Minister
NS Department of Finance
P.O. Box 187
Halifax, N.S. B3J 2N3

Dear Ms. Harnish:

The purpose of this letter is to set up the signing authority for the “MF – Trust Fund” for the Department of ______________. The main objective of this trust fund is as follows: ________________________________________________________________

Please find below signing authority with sample signatures. The signing authority to withdraw funds from this trust fund should be any two of the following:

1. Sample Signature
   Name and Title

2. Sample Signature
   Name and Title

3. Sample Signature
   Name and Title

4. Sample Signature
   Name and title

Thank you for your attention to this matter.

Yours sincerely,

Deputy Minister, Department of

C: Christina Swain
Appendix 23-C

Template for Assessing if an entity is controlled and therefore comprises part of the Government Reporting Entity

Province of Nova Scotia
Guidance on Determining Control
March 31, 2006

Step 1
Assess the primary control and primary benefit/risk indicators:

PRIMARY CONTROL INDICATORS
1. Does the province hold directly or indirectly through controlled entities, the majority of the voting shares or a “golden share”* that confers the power to govern the financial and operating policies of the organization?
   
   * “Golden share” refers to a class of share that entitles the holder to specified powers or rights generally exceeding those normally associated with the holder’s ownership interest or representation on the governing body.

2. Does the province have the power, either granted by or exercised within existing legislation, to appoint or remove a majority of the members of the governing body of this entity?

3. Does the province have the power to cast, or regulate casting of, a majority of the votes that are likely to be cast at a general meeting of this entity?

4. Does the province have the power to cast the majority of votes at meetings of the board of directors or equivalent government body?

PRIMARY BENEFIT/RISK INDICATORS
5. Does the province have the power to dissolve this entity and obtain a significant level of the residual economic benefits or bear significant obligations? For example, the benefit condition may be met if the province has responsibility for the residual liabilities of this entity.

6. Does the province have the power to extract distributions of assets from this entity, and/or may be liable for certain obligations of this entity?
Step 2

Where there is no presumption of control (from above), the following factors are likely, either individually or collectively, to be indicative of the existence of control:

SECONDARY CONTROL INDICATORS:
7. Does the province have the ability to approve the business plans or budgets for this entity and call for amendments, either on a net or line-by-line basis?
8. Does the province establish borrowing or investment limits or restrict the organization’s investments?
9. Does the province have the ability to veto, overrule, or modify the governing policies established by this entity?
10. Does the province restrict revenue-generating capacity of the entity, notably the sources of revenue?
11. Does the province have the ability to approve the hiring, reassignment and removal of key personnel in the entity?
12. Does the province establish or amend the policies that the entity uses to manage, such as those relating to accounting, personnel, compensation, collective bargaining or deployment of resources?
13. Is the mandate of this entity established and limited by legislation?

SECONDARY BENEFIT INDICATORS:
14. Does the province hold direct or indirect title to the net assets/equity of this entity with an ongoing right to access these?
15. Does the province have a right to a significant level of the net assets/equity of this entity in the event of a liquidation or in a distribution other than a liquidation?
16. Is the province exposed to the residual liabilities of this entity?
17. Can the province direct this entity to co-operate with it in achieving its objectives?
23.2 Trust Funds

Policy Statement
It is the policy of the Province of Nova Scotia to account for and report trust funds in the Public Accounts in compliance with Public Sector Accounting Board (PSAB) standards.

Definitions

GOVERNMENT REPORTING ENTITY
Should comprise the organizations that are controlled by the government. These include the General Revenue Fund (through which all receipts and disbursements of public money flow) and other organizations that are owned and/or controlled by the Province.

EXTERNAL RESTRICTIONS
Stipulations imposed by an agreement with an external party, or through legislation of another government, to specify the purpose or purposes for which resources are to be used.

Trust funds are typically endowment monies, often created on the death of a contributor, or are funds held temporarily to serve as security under a performance or reclamation bond. A donor will entrust the Minister of Finance to administer the funds based on their explicit restrictions.

Policy Objective
The objective of this policy is to explain what trust funds are and to describe their appropriate accounting treatment.

Application
This policy applies to all trust funds as defined by this policy that are administered by any government department, agency, board or commission of the General Revenue Fund and by other members of the government reporting entity.
Policy Directives

The involvement by the Province with trust funds is very limited, acting as trustee to administer the funds only. The involvement by the Province typically includes holding the funds in a separate bank account, investing excess funds when available, and disbursing funds in accordance with the trust indenture or other similar enabling documents.

PROCESS AND PROCEDURES
Trust fund monies reside with the Department of Finance and are managed through Liability Management and Treasury Services (LMTS). Each fund has its own bank account and resulting administrative procedures connected to it.

Once a trust fund has been created, Liability Management and Treasury Services will obtain a signing authority form (Appendix 23-E) and open a bank account.

ACCOUNTING FOR FUNDS
The Department of Finance is responsible for the administration, accounting and control over all trust funds on deposit with the Province.

LMTS opens a bank account and invests all excess funds. In cases where it is preferred that a cash balance be maintained (no investment) LMTS must be notified in writing. A continuity statement capturing the activity for the fiscal year will be prepared and reviewed by the appropriate departmental representative. The Department of Finance must maintain source records for all deposits into the fund and all expenditures out of the fund.

The Handbook requires consolidation of all entities which are controlled by the government. Control is determined on an individual basis and considers many factors. See 4.1 Government Reporting Entity for a full questionnaire to be used to assess if an entity should be considered to be part of the government reporting entity. Trust funds are not controlled by government and are therefore excluded from the government reporting entity. The total funds under administration by the Province are disclosed in Notes to the consolidated financial statements.

Policy Guidelines

BUDGETING AND FORECASTING
Trust funds are not part of the government reporting entity so have no financial impact on the revenues or expenses of the General Revenue Fund.
Government Accounting, Department of Finance is responsible for:

- Provide advice to departments in the creation and administration of funds
- Properly report trust funds in the Province’s financial statements

Liability Management and Treasury Services, Department of Finance will manage the required bank accounts and invest excess funds.

**Monitoring**

Government Accounting will monitor the policy’s implementation, performance and effectiveness.

**Enquiries**

Director, Government Accounting
Department of Finance
(902) 424-7021

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Approval date: **July 31, 2008**
Approved by: **Executive Council**

Effective date: **August 21, 2008**
Administrative update: **October 7, 2010**
Appendix 23-D

REQUEST AND AUTHORIZATION FORM
TO SET UP A TRUST FUND WITH THE DEPT OF FINANCE

Trust Fund Name & No:

Please provide the following information and/or documents: Tick off/fill in info by Finance:

RBC 215–

1. Copy of OIC or equivalent documentation authorizing the establishment of the trust fund. ☐
2. Extract from the documentation naming Department of Finance as trustee. ☐

Term: 30 days, 60 days, 90 days, Other: please specify:

___________________________________________________________

Any additional guidelines:

___________________________________________________________

3. Investment policy guidelines for the trust fund:

4. Amount and timing of payments to the fund.
Approximate amount of payments: $ __________
Timing of payments: monthly, quarterly, semi-annually, annually, or other: please specify: ______________________________________________________________

5. Contact name from the department requesting the trust fund for instructions, source of payments and receipt of withdrawals:
Contact Name:
Phone Number: Fax Number:
6. Amount and timing of withdrawals from the fund.
   Approximate amount of withdrawals: $__________
   Timing of withdrawals: monthly, quarterly, semi-annually, annually, or other: please specify: ____________________________________________________

7. Set up signing authorities, using the form letter attached, in order for the trustee (Department of Finance) to know who it can accept instructions from in all matters relating to the trust fund. Also, for setting up signing authorities for withdrawals from the trust fund.

8. Does the department requesting the trust fund, wish to receive Continuity Statements for the trust fund? If yes, how often? Monthly __________ , Yearly __________ , or Both __________?

9. Are there any liability issues? That is, if the trustee invests funds in accordance with the instructions provided, but the amount realized on the due date is insufficient to meet the capital expense on that date – who is liable for the shortfall? ________________________________

10. Is there any disposal instructions for the residual proceeds (if any) when the trust fund is closed? ________________________________

Purpose: Performance Bond –

Principal: ___________________________ Start Date: ___________ Finish Date: ___________

Note: Please put the attached form letter on your department’s letterhead.
Appendix 23-E

Establishment of Signing Authority for Trust Funds

(Date)

Ms. Vicki Harnish  
Deputy Minister  
NS Department of Finance  
P.O. Box 187  
Halifax, N.S. B3J 2N3

Dear Ms. Harnish:

The purpose of this letter is to set up the signing authority for the “MF – Trust Fund” for the Department of __________________. The main objective of this trust fund is as follows: ________________________________________________________

____________________________________________________________________

Please find below signing authority with sample signatures. The signing authority to withdraw funds from this trust fund should be any two of the following:

1. Sample Signature  
   Name and Title
2. Sample Signature  
   Name and Title
3. Sample Signature  
   Name and Title
4. Sample Signature  
   Name and title

Thank you for your attention to this matter.

Yours sincerely,

Deputy Minister, Department of  
c: Christina Swain
24.1 Financial Statement Process

Policy Statement
The Province of Nova Scotia prepares its financial statements annually as at March 31. There is a legislative requirement to table this document in the House of Assembly by September 30 of the year in which the fiscal year ends.

Policy Objectives
The process of preparing the financial statements is complex. Documentation of this process provides a framework for workflow planning and information to other interested parties.

Application
The process is directly applicable to Government Accounting and requires input from all departments and members of the government reporting entity.

Policy Directives
See Appendix 24-A Detailed Process: Preparation of Consolidated Financial Statements

Policy Guidelines
Milestone dates are noted in the documentation but may have to be adjusted depending on the particular circumstances at each year-end. The Controller and Deputy Minister of Finance should be informed of any expected milestone delays and the cause of each delay.

Accountability
Departments are responsible to ensure that all events and transactions are properly reflected in their accounts and appropriate information is provided to Government Accounting and to the Office of the Auditor General for the year-end audit process.

Government Accounting is responsible for the preparation of the financial statements and the coordination of the financial statement audit.

Entities of the government reporting entity are required by legislation to provide their financial statements to the province by June 30 each year.
Monitoring
The process documentation is subject to review by Government Accounting. Government Accounting will monitor the policy’s performance and effectiveness.

Enquiries
Director, Government Accounting
Department of Finance
(902) 424-7021
Appendix 24-A

<table>
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<th>July 31, 2008</th>
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<td>Executive Council</td>
<td>Administrative update:</td>
<td>October 7, 2010</td>
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Appendix 24-A

Detailed Process: Preparation of Consolidated Financial Statements
Department of Finance, Office of the Controller

Financial Statements – Background

Section 59 (1) of the Finance Act legislates that:

59 (1) The Minister shall table the Public Accounts in the House of Assembly not later than September 30th following the end of the fiscal year to which the Public Accounts relate or, if the House of Assembly is not sitting, file the Public Accounts with the Clerk of the Assembly.

The Financial Statements are developed in four phases:

Phase 1: Planning
Phase 2: Departmental Year-end Accounting Process and General Revenue Fund Audit
Phase 3: Consolidated Financial Statements Preparation and Audit
Phase 4: Financial Statements Release

Note: The General Revenue Fund Audit refers to the financial statements and audit of the departments and agencies of the Province of Nova Scotia. The resulting financial statements are one input into the Consolidated Financial Statements Preparation process. As a result of the adoption of generally accepted accounting principles in 1999, the government reporting entity includes a broader community of entities such as district health authorities, school boards, etc.

Summary of Phases (Items, Timing, Responsibility)

PHASE 1: PLANNING
Entire Process:

January

• conduct prior year post-mortem (Government Accounting Team) which includes a review of last year’s process and outcomes and identification of areas for improvement
• review of auditors’ summary of unadjusted differences
• review annual management letter sent to the Deputy Minister and Controller
24.1 Financial Statement Process

• determine if there are new issues for the current year that should be given extra attention
• consider meeting with Office of the Auditor General (OAG) as part of the post-mortem process
• determine if there are any new reporting requirements that may impact timing or nature of information required
• prepare initial audit requirements and meet with OAG to confirm requirements and timing
• focus on relationship management*

* This is a proactive effort to ensure clear understanding of expectation, early detection of issues or impediments to achieving milestones, and ensuring all participants are aware of their contribution to a successful financial statement process. Participants include Government Accounting, departments of the General Revenue Fund, entities of the government reporting entity and auditors.

General Revenue Fund related

February
• communicate audit requirements and timing to the departments so that they can incorporate any new requests into their practices and workflow

Consolidation Process related

January
• review consolidation package* and make any necessary changes - e.g., new Handbook sections incorporated into package
• review Orders in Council (OICs) and hold discussions with departments to determine if there are any new entities created in the year to be added to the government reporting entity
• communicate with all entities to determine if contact information the same (e.g., CFO, CEO, address, etc.) and to determine if there are any issues that may impact the entities’ ability to meet the reporting deadline of June 30 (end of January)

* Consolidation package provides a detailed list of the information that must be submitted by an entity for consolidation purposes. Two different versions are prepared at this time – one for governmental units and one for government business enterprises.
February

• prepare letters to entities of the government reporting entity requesting information for the consolidation process for the Minister’s signature (mid February)

• preparation of the PSAB checklist (late February)

March

• send requests for financial statements and consolidation reporting packages (if applicable) to all entities, including those in Volume 2 of the Public Accounts (beginning of March)

• prepare analysis of government reporting entity (e.g., new entities, entities removed, etc) and send to OAG (mid-late March)

• make necessary changes to the consolidation model (LOTUS/EXCEL file) to incorporate new entities, additional reporting requirements, etc. including update of the Accumulated Deficits carry-forward figure (this is a key figure used to ensure all adjustments have been assessed and properly recorded)

**PHASE 2: DEPARTMENTAL YEAR-END ACCOUNTING PROCESS AND GENERAL REVENUE FUND AUDIT**

May

• general ledger closes for period 12

• departments prepare and submit working paper packages to OAG

• Government Accounting prepares Draft 1 of general revenue fund financial statements and other working paper packages (e.g., corporately managed items such as pensions, TCA continuities, etc.)

• Government Accounting sends its information to OAG

• OAG begins General Revenue Fund audit

• subsequent events may occur – review for materiality, impact, etc., and incorporate into general revenue fund results if necessary

June

• OAG and department will meet to finalize issues (member from Government Accounting may attend closing exit meeting if department needs additional support, e.g., complex accounting issue)

• Draft 2 of General Revenue Fund statements prepared
July
- Government Accounting will meet with OAG to finalize results of General Revenue Fund audit
- final General Revenue Fund statements agreed to and incorporated in the consolidation process
- no further work/changes on/to General Revenue Fund statements necessary unless major significant event occurs

PHASE 3: CONSOLIDATED FINANCIAL STATEMENTS PREPARATION AND AUDIT

July
- determine which entities have not submitted audited financial statements and consolidation packages by June 30 and, at the beginning of July, start to communicate with those entities to determine why and when the information is expected
- ongoing monitoring of submissions from entities
- prepare consolidation summaries including accounting policy* and elimination adjustments** which are entered into the consolidation model by one person to ensure data integrity of the model (eliminates duplication, errors and file corruption)
- consolidation summaries reviewed by Director or Manager as a quality control check
- prepare assessment of governmental units and government partnerships not consolidated to ensure not material impact on financial statements
- administrative staff of Government Accounting prepare volume 2 of the Public Accounts using the audited financial statements received as part of the consolidation process

* Accounting policy adjustments are made to convert different accounting policies of entities to match those policies as followed by the Province.

** Elimination adjustments are made to eliminate inter-entity transactions so that corresponding accounts are not overstated (e.g., a Department of Health payable to a DHA is eliminated against the corresponding DHA receivable from Department of Health.) Eliminations adjustments should be confirmed among entities.
August:
- finalize consolidation model and prepare consolidated financial statements, supporting schedules and notes
- submit copies of working papers and Draft 1 of the consolidated financial statements to OAG
- OAG audits the consolidated financial statements (the consolidation process only, not the individual financial statements making up the consolidated entity as those are audited by others)
- meet with OAG to discuss issues
- finalize consolidated financial statements including quality control review by Government Accounting, the Controller and Deputy Minister and the Director of Liability Management

PHASE 4: FINANCIAL STATEMENTS RELEASE

July
- discuss timing and other requirements with Communications Nova Scotia for printing and publication of the Public Accounts, both volumes 1 and 2, including need for “security printing”

September
- send volume 2 to CNS
- send volume 1 to CNS for formatting, proof statements and send to OAG for final review and sign off
- coordinate with Finance Communications staff respecting release of Public Accounts
Chapter 25: Gifts to the Crown
25.1 Issue of Income Tax Receipts for Gifts to the Crown

Introduction
From time to time, cash or other donations or gifts are given to the province or one of its trust funds or foundations. The donor usually requests a receipt that can be used for income tax purposes.

Definition
**GIFT TO THE CROWN**
A donation or gift to the Crown or to Her Majesty the Queen in right of the province means a donation or gift of cash or gift in kind of real or personal property that is completely voluntary and gratuitous and for which no right, privilege, material benefit, or advantage may accrue to the donor or to a person designated by him/her. Subject to any enactment providing otherwise, all gifts or donations to a foundation, agency, corporation, department, or minister on behalf of the province, museum, archives, trust fund, or hospital that is a part of or owned by the Province of Nova Scotia will be deemed a gift.

Acceptance of a Gift
The minister or equivalent of the receiving body will confirm in writing whether the gift is of use or acceptable to the province. However, in the case of gifts or donations made by will or gifts other than cash that carry an appraised market value in excess of $1,000, the approval of the Minister of Finance and Treasury Board will be required prior to the gift being accepted.

Appraisal and Upkeep of a Gift
The province will not expend any monies on upkeep, maintenance, or other costs for gifts made by will unless monies are provided in the gift or in the annual governmental budget. All gifts of a non-cash nature will be appraised by an independent, duly qualified appraiser who will determine the fair market value of the gift on or about the date of the donation to the province. If the gift is accepted by the province, the costs of appraisers and maintenance of the gift may be paid by the donor and included
in the official receipt or paid out of monies provided annually in the budgets of the responsible department. If the Minister of Finance and Treasury Board deems it necessary, costs of appraisal for gifts not accepted may be paid out of said monies.

**Issue of Receipts**

Pre-numbered official receipts for income tax purposes will be issued by the Minister of Finance and Treasury Board or his/her designate, provided the following conditions are observed:

- the donor requests a receipt
- the gift has been received and written acceptance has been provided by the province
- the issue of the receipt has been requested in writing by the minister or equivalent responsible in the receiving department or organization; this request should outline all the details of the gift and recommended acceptance
- requests for receipts are addressed to the Director, Taxation and Federal Fiscal Relations, Department of Finance and Treasury Board

**NOTE:** Canada Customs and Revenue Agency is the final arbiter in the allowance of claims for income tax purposes.

**Receipt for Gifts to the Crown**

The receipt should contain the following information:

- serial number
- name and address of the Minister of Finance and Treasury Board
- name and address of the person from whom the gift has been received
- amount of donation or description of the gift (in the case of a gift other than cash, the appraised fair market value and name and address of the appraiser)
- name of the department, foundation, trust, or entity to whom the gift has been made
- date the gift was made
- date and place where the receipt was issued
- title of the person signing the receipt (if other than the Minister of Finance and Treasury Board)
- statement that it is an official receipt for income tax purpose
Chapter 25: Gifts to the Crown
25.1 Issue of Income Tax Receipts for Gifts to the Crown

Enquiries
Taxation and Federal Fiscal Relations
Department of Finance and Treasury Board
(902) 424-2412

Appendix
Appendix 25-A Sample of Receipt form

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<th>January 9, 2003</th>
<th>Effective date:</th>
<th>September 1, 1985</th>
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Appendix 25-A

Sample of Receipt Form

Department of Finance and Treasury Board

Certificate No - XXX

Official Receipt

ISSUED ON BEHALF OF

RECEIVED FROM

NAME

ADDRESS

CASH DONATION - Amount

X GIFT - Please describe briefly

Appraised Market Value

Name and Address of Appraiser

Date Gift Was Received

Dated at Halifax, Nova Scotia, this 22nd day of January, 2016.

Signature of Minister of Finance and Treasury Board or Authorized Official

THIS IS YOUR OFFICIAL RECEIPT FOR INCOME TAX PURPOSES
25.1 Issue of Income Tax Receipts for Gifts to the Crown

Introduction
From time to time, cash or other donations or gifts are given to the province or one of its trust funds or foundations. The donor usually requests a receipt that can be used for income tax purposes.

Definition
GIFT TO THE CROWN
A donation or gift to the Crown or to Her Majesty the Queen in right of the province means a donation or gift of cash or gift in kind of real or personal property that is completely voluntary and gratuitous and for which no right, privilege, material benefit, or advantage may accrue to the donor or to a person designated by him/her. Subject to any enactment providing otherwise, all gifts or donations to a foundation, agency, corporation, department, or minister on behalf of the province, museum, archives, trust fund, or hospital that is a part of or owned by the Province of Nova Scotia will be deemed a gift.

Acceptance of a Gift
The minister or equivalent of the receiving body will confirm in writing whether the gift is of use or acceptable to the province. However, in the case of gifts or donations made by will or gifts other than cash that carry an appraised market value in excess of $1,000, the approval of the Minister of Finance will be required prior to the gift being accepted.

Appraisal and Upkeep of a Gift
The province will not expend any monies on upkeep, maintenance, or other costs for gifts made by will unless monies are provided in the gift or in the annual governmental budget. All gifts of a non-cash nature will be appraised by an independent, duly qualified appraiser who will determine the fair market value of the gift on or about the date of the donation to the province. If the gift is accepted by the province, the costs of appraisers and maintenance of the gift may be paid by the donor and included in the official receipt or paid out of monies provided annually in the budgets.
of the responsible department. If the Minister of Finance deems it necessary, costs of appraisals for gifts not accepted may be paid out of said monies.

Issue of Receipts
Pre-numbered official receipts for income tax purposes will be issued by the Minister of Finance or his/her designate, provided the following conditions are observed:

- the donor requests a receipt
- the gift has been received and written acceptance has been provided by the province
- the issue of the receipt has been requested in writing by the minister or equivalent responsible in the receiving department or organization; this request to the Minister of Finance should outline all the details of the gift and recommended acceptance
- requests for receipts from the Minister of Finance are addressed to the Director, Fiscal Policy Division, Department of Finance

NOTE: Canada Customs and Revenue Agency is the final arbiter in the allowance of claims for income tax purposes.

Receipt for Gifts to the Crown
The receipt should contain the following information:

- serial number
- name and address of the Minister of Finance
- name and address of the person from whom the gift has been received
- amount of donation or description of the gift (in the case of a gift other than cash, the appraised fair market value and name and address of the appraiser)
- name of the department, foundation, trust, or entity to whom the gift has been made
- date the gift was made
- date and place where the receipt was issued
- title of the person signing the receipt (if other than the Minister of Finance)
- statement that it is an official receipt for income tax purpose
Chapter 25: Gifts to the Crown

25.1 Issue of Income Tax Receipts for Gifts to the Crown

Enquiries
Fiscal Policy Division, Department of Finance  (902) 424-4160

Appendix
Appendix 25-A  Sample of Receipt form

<table>
<thead>
<tr>
<th>Approval date:</th>
<th>January 9, 2003</th>
<th>Effective date:</th>
<th>September 1, 1985</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved by:</td>
<td>Executive Council</td>
<td>Administrative update:</td>
<td>July 31, 2008</td>
</tr>
</tbody>
</table>
## Appendix 25-A

### Sample of Receipt Form

Department of Finance
PO Box 187 Halifax, Nova Scotia B3J 2N3

**Official Receipt**

<table>
<thead>
<tr>
<th>Field</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>ISSUED ON BEHALF OF</td>
<td></td>
</tr>
<tr>
<td>RECEIVED FROM</td>
<td></td>
</tr>
<tr>
<td>NAME</td>
<td></td>
</tr>
<tr>
<td>ADDRESS</td>
<td></td>
</tr>
<tr>
<td>CASH DONATION: Amount</td>
<td></td>
</tr>
<tr>
<td>GIFT: Please describe briefly</td>
<td></td>
</tr>
<tr>
<td>Appraised Market Value</td>
<td></td>
</tr>
<tr>
<td>Name &amp; Address of Appraiser</td>
<td></td>
</tr>
<tr>
<td>Date Gift Was Issued</td>
<td></td>
</tr>
</tbody>
</table>

**VOID**

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**Chapter 25: Gifts to the Crown**

25.1 Issue of Income Tax Receipts for Gifts to the Crown

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Government of Nova Scotia

Chapter 26: Travel
26.1 Travel Policy

Policy Statement
This policy has been designed to balance the government’s need to contain costs and demonstrate prudence in the conduct of government activities and the employee’s need for convenience when travelling on the Employer’s business. These provisions provide for the reimbursement of reasonable expenses necessarily incurred while travelling on the Employer’s business and do not constitute income or other compensation that would open the way for personal gain.

Responsibility
All employees who submit travel expenses for reimbursement are stating that their request is consistent with this policy.

• All employees who approve a travel reimbursement request or travel approval request are attesting that the request is consistent with this policy and they have the appropriate authorization to approve the request.

• All employees who are employed in a position that is the lead position in an Organization Unit (as defined in the Organizational Management Structure of the Province’s ERP) are deemed to have approval authorization for all employees in a position within that Organizational Unit. Other employees may approve such requests if they have signing authority for the cost centre that will be charged the expenses.

• All employees will adhere to internal provincial privacy standards and not share confidential or personal information, including user names and/or passwords.

Accountability
MINISTER/DEPUTY HEAD
Each deputy head has the responsibility to make certain that there is an approval process to ensure that all expense claims are properly prepared, documented, and approved.

Ministers are responsible to authorize all out of country travel requests and travel within Canada that is estimated to cost more than $1000.
MANAGERS/SUPERVISORS
Managers/supervisors have the responsibility for administering travel in accordance with the requirements of this policy. Specifically, managers/supervisors must:

- ensure that this directive is available at the employee’s normal workplace during the employee’s working hours
- determine whether travel is necessary
- ensure that the selection and acquisition of related arrangements are consistent with the provisions of this policy
- where required, preauthorize travel through the prescribed process
- verify and approve travel reimbursement requests, as directed by the Operational Accounting division of the Financial Services Delivery branch of Internal Services.

EMPLOYEE
The employee shall:

- obtain prior authorization to travel except where otherwise provided
- submit fully completed travel reimbursement requests as defined by Operational Accounting division of the Financial Services Delivery branch of Internal Services with necessary supporting documentation, including receipts and explanations as required
- submit claims within the timelines provided by departmental managers and/or Operational Accounting division of the Financial Services Delivery branch of Internal Services
- Claims received more than 30 days after fiscal year end or more than 45 days after the expense was incurred will be reimbursed only when properly substantiated by the employee and when the Employer is of the opinion that the delay was justified.

The employee is responsible for becoming familiar with the provisions of this policy before departure.

Any fraudulent irregularity in the travel expense claim submitted by an employee, or any other misuse or misappropriation of public funds, may include, without limitations, disciplinary action, which may include termination. A manager should consult with their respective Deputy Minister, Human Resources Director, and Staff Relations Consultant prior to administering disciplinary action.
Definitions

ALLOWANCE
An authorized amount that may be claimed in lieu of actual expenditures for specific items, such as mileage.

COMMERCIAL ACCOMMODATIONS
Hotel/motel type of accommodation or similar commercial establishment, which provides lodging at an established daily rate.

CONTINUOUS TRAVEL
Continuous travel time is considered to begin at the scheduled departure time of the first flight of a journey and end at the earlier of:

• arrival at the destination
• the beginning of an overnight stop
• the scheduled arrival time of the first inter-connecting flight(s) within the airlines minimum connecting time rules.

DEPUTY HEAD
The Deputy Minister or designate of a department, or the senior administrative officer of an agency not reporting through a Deputy Minister.

EMPLOYEE
Any person receiving a wage, salary, or other remuneration in return for services rendered to the government in connection with the Employer’s business, but excluding those persons performing a service for a fee where the fee includes expenses.

EMPLOYER
Her Majesty in the right of the Province of Nova Scotia, as represented by Nova Scotia government departments and agencies.

ENTERTAINMENT/HOSPITALITY
Expenses incurred for receptions, shows, performances, or other functions that are not connected to an employee’s travelling expense while on employer’s business. See Manual 300: Common Services, Chapter 7, Policy 7.12 Hospitality Policy.

EXPENSE CLAIM FORM
The form used to submit a statement of expense claim for reimbursement, Statement of Travelling Expenses, Form 229, or the online travel expense application available on the Government of Nova Scotia Employee Self-Serve Portal.
EXPENSES
The actual costs incurred, supported by proof of payment, up to the amount judged by
the Employer to be reasonable, based upon experience of what such costs should be
in the circumstances.

Alcohol purchases are deemed to be unreasonable and therefore will not be
reimbursed.

HEADQUARTERS AREA
The area within a 16-kilometre radius surrounding the actual building or other regular
place of employment of the employee; not to be confused with “Geographic Location”
as identified in collective agreements for other purposes.

INCIDENTAL EXPENSES
Includes items such as personal supplies and services, such as baggage charges, tips
and gratuities not related to meal expenses, the costs of which can be attributed
to a period in travel status, but for which no other reimbursement or allowance is
provided under this directive.

KILOMETRAGE/MILEAGE
The distance actually travelled on the Employer’s business.

INTERNATIONAL TRAVEL
Travel outside Canada.

MINISTER
The Minister of a department and/or in charge of an agency.

PUBLIC TRANSPORTATION
All forms of transportation for which a fare is paid other than privately owned, rented,
or chartered vehicles.

TRANSPORTATION EXPENSES
Includes commercial air, rail, automobile (private or rental), road, ferry and bridge tolls,
and parking charges.

TRAVEL EXPENSE
An expense actually and necessarily incurred by an employee in connection with travel
on the Employer’s business.
TRAVEL STATUS
Absence of the employee from his/her headquarters area on the Employer’s business involving travel and/or accommodation with the approval of his/her supervisor/deputy head.

WORKPLACE
The location at or from which an employee ordinarily performs the duties of his/her position including any vehicle or mobile equipment used or likely to be used by an employee in the course of performing his/her position. In the case of an employee whose duties are of an itinerant nature, it is the actual building to which the employee returns to prepare and/or submit reports, etc., and where other administrative matters pertaining to the employee’s employment are conducted.

Policy Objectives
Proper implementation of this policy will achieve the following objectives:

• educate employees who travel on the Employer’s business so that they clearly understand the government’s cost control objectives and how employees can help to achieve these
• provide a means to evaluate the effectiveness of the policy
• take advantage of technological advancements to further the aims of the Travel Policy.

Application
This policy applies to all civil servants whose terms and conditions are set out in accordance with the Civil Service Act and regulations and all bargaining unit staff who are employed by the Government of Nova Scotia, in addition to Ministers, deputy heads, and other persons travelling on the Employer’s business, including training. It does not apply to those persons whose travel is governed by other authorities.

Policy Directives
ADMINISTRATION
It is the prerogative of the Employer to determine whether, when, where, by whom, and by what means travel will be undertaken and to select the mode and class of transportation and the accommodation to be used, subject to the provisions of this policy.
Employees travelling on the Employer’s business, including training, shall be afforded transportation and accommodation that are comfortable and of good quality. Allowance, rates, and conditions of payment and reimbursement shall be sufficient to meet reasonable, legitimate expenses that are necessarily incurred as result of the requirement to travel. In exceptional travel situations, when a person is confronted with unusual costs, actual and reasonable expenses may be reimbursed. Reimbursement for employees will be made through electronic funds transfer (EFT).

Expenses incurred by, or incurred on behalf of an employee, which are not travel related are not to be reimbursed through the travel claim process. This includes entertainment, hospitality, meetings, fuelling costs for fleet vehicles, dues and association fees, university tuition, safety gear (including protective footwear), uniform alterations, expenses for government-owned vehicles, and shipping or courier costs for equipment and supplies. These expenses must be reimbursed through Financial Services Delivery.

Claims for entertainment or hospitality expenses will follow the Hospitality Policy (Manual 300: Common Services, Chapter 7, Policy 7.12). Employees should seek advice from the Operational Accounting division of the Financial Services Delivery branch of Internal Services, for the procedure to have these expenses approved and reimbursed.

In-province travel expenses are to be submitted on one expense form per period. Employees are not to separate receipted and non-receipted expenses and submit them on more than one claim.

Separate expense claim forms are to be submitted for each out-of-province trip within Canada. This is to ensure taxes are calculated properly.

**Travel to/from Workplace at Unusual Hours**
Except where governed by specific terms of a collective agreement, when an employee is required to report to work early or to remain/return at work after normal hours, the Employer may, as a direct consequence of the hour, authorize payment for the use of a taxi.

**Transportation Allowance for Callback**
Except where governed by specific terms of a collective agreement, when an employee identified in 32.03 of the Collective Agreement is called back to work,
he or she must be reimbursed for actual transportation expenses to and from the place of work to a maximum per call rate as outlined in the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations under the Civil Service Act (see Schedule 26-1).

Travel to/from Work Between Midnight and 6:00 am
Except where governed by specific terms of a collective agreement, when an employee is required to travel to or from work between the hours of 12:00 midnight and 6:00 am, he or she must be reimbursed for actual transportation expenses incurred to a maximum per shift rate as outlined in the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations under the Civil Service Act (see Schedule 26-1).

Unique Circumstances Requiring Travel to/from Workplace
Where an employee is required by the deputy head or their supervisor to undertake travel that is not in the ordinary course of business in order to meet operational requirements, such travel arrangements will be assessed on a quarterly basis.

Travel/Credit Cards
As a general practice, all employees who are required to travel on a regular basis, should use the government corporate travel credit card. To obtain a government corporate travel credit card, employees should contact the Operational Accounting division of the Financial Services Delivery branch of Internal Services (<CorporateCreditCards@novascotia.ca> or 902-424-1577).

The Province does not issue travel advances to employees.

Personal credit cards may be used for payment of travel expenses provided that the travel expense claim is supported by an official itemized receipt or a voucher or invoice supplied by the establishment indicating the payment of the account. The employee must pay his/her own credit/travel card accounts. Any fee or deposit required for maintaining a personal credit card must be borne by the employee. Interest charges and surcharges on credit card accounts cannot be claimed.

The directive on use of government corporate travel credit cards for the renting of vehicles for use on government business is found under the Rental Vehicles section of this policy.
Out-of Province Travel
All out-of-province travel shall be preauthorized, and all travel plans must be reviewed prior to being authorized to determine consistency with government goals.

Out-of-Province Travel Authorization
The Minister is responsible for authorizing travel outside of Canada.

The Deputy Minister is responsible for authorizing travel outside of Nova Scotia within Canada, providing system approval consistent with Ministerial authorization and this policy for all travel requests. Ministerial approval is required for travel within Canada that is estimated to cost more than $1,000.

The Chief Justice or Chief Judge of the respective court is responsible for authorizing travel by judges outside of Nova Scotia.

Departments should refer to the following table which outlines directives on out-of-province travel eligibility. These directives establish criteria for determining the number of departmental staff who may travel when out-of-province travel is required.

<table>
<thead>
<tr>
<th>Reason for Travel</th>
<th>Maximum Number of Staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>To attend conferences pertinent to an employee’s duties. All attendees must submit</td>
<td>• A maximum of two staff per meeting.</td>
</tr>
<tr>
<td>a written report to the Deputy Minister that summarizes the conference and the</td>
<td>• Exceptions must be approved by the Deputy</td>
</tr>
<tr>
<td>knowledge obtained.</td>
<td>Minister.</td>
</tr>
<tr>
<td></td>
<td></td>
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<tr>
<td>To attend inter-jurisdictional (federal/provincial/territorial) meetings where</td>
<td></td>
</tr>
<tr>
<td>critical decisions impacting Nova Scotia will be considered and/or agreements</td>
<td></td>
</tr>
<tr>
<td>signed.</td>
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<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>To attend events related to the employees work responsibilities when the travel</td>
<td>• Number of staff to be determined by the Deputy</td>
</tr>
<tr>
<td>costs are fully or significantly funded by an external organization. An external</td>
<td>Minister.</td>
</tr>
<tr>
<td>organization is one that is not funded by the Province of Nova Scotia.</td>
<td></td>
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<tr>
<td></td>
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</tr>
<tr>
<td>To receive training that is required by staff as a result of a new computer</td>
<td></td>
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<tr>
<td>system or new duties when that training is not available locally at lower cost.</td>
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<td></td>
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<tr>
<td>To collaborate on a routine basis with other jurisdictions within the maritime</td>
<td></td>
</tr>
<tr>
<td>provinces.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>To develop business opportunities or to market the Province’s goods, services,</td>
<td></td>
</tr>
<tr>
<td>and industries.</td>
<td></td>
</tr>
</tbody>
</table>
OUT-OF-PROVINCE TRAVEL REQUEST
Requests for travel outside of the Province are to be completed by the employee on the Province’s Self-Serve Portal. For employees who cannot submit requests of travel expenses through the Province’s Self-Serve Portal, request for out-of-province travel can be completed using a printed form. Ministerial approval is required for travel within Canada that is estimated to cost more than $1,000.

All requests for out-of-province travel shall contain the following information:

- the purpose and duration of the trip
- the location(s) to be visited.
- the dates and times of arrival and departure
- any pre-paid transportation, meals, or accommodation
- the modes and classes of transportation authorized
- vehicle rental authorization, including size
- the type of accommodation, place, and daily rates
- meals, incidental expenses to be authorized, or whether actual and reasonable expenses for meals and incidentals will be reimbursed
- other legitimate expenses involved.

Expense Claim Request
Travel expense claims for out of province travel shall contain an explanation on the travel expense reimbursement request whenever there are material changes from the preapproved arrangements. In such cases, the expenditures shall be authorized by a person at the same level as would have been necessary for the original approval.

INTERNATIONAL TRAVEL
The Minister is responsible for authorizing international travel within the following parameters. This section includes only those provisions that are unique to travel outside Canada. The balance of the general policy also applies to these travel situations.

In accordance with the Personal Information International Disclosure Protection Act (PIIDPA), an employee may be permitted to temporarily transport personal information outside of Canada if their Deputy Head considers that the transport is necessary for the performance of their duties. This includes transport of personal information in a cell phone or other electronic device (e.g., Blackberry). Also under PIIDPA, storage or access of personal information outside of Canada may
be permitted by the Deputy Head if the Deputy Head considers that the storage or access is necessary to meet the requirements of the department’s operation. Permission must be sought from the Deputy Head for transport and, as necessary, the storage or access of personal information while outside Canada.

Deputy Heads are also required under PIIDPA to report annually on instances where they have granted permission for the storage or access of personal information outside of Canada.

**Security Awareness**

Nova Scotia government officials and employees are frequently required to travel outside the country on government business. Travel of any type, but particularly foreign travel, brings with it certain risks. A particular area of risk for government officials and employees, over and above their own personal security, is the safe guarding of government documents and IT equipment they take with them. These risks are mitigated by taking certain precautionary measures.

It is recommended prior to commencing any foreign travel, the employee should contact the Security Intelligence Management Services (SIMS) at the Department of Justice for the “Out-of-Country Travel Security Awareness” guideline. Upon review of the guideline it is recommended that you discuss the need for a face to face security briefing by the SIMS Unit with your supervisor, manager or director.

**Meal Rates**

All employees should refer to Schedule 26-2 for information on meal allowances. Meal rates shall be applicable only if meals are not provided on a carrier or included in an event or conference, or in the cost of the hotel. Where meals are provided, the rates shall be reduced accordingly.

Meals taken during part days in travel status are reimbursed in accordance with the per diem rates identified in Schedule 26-2.

**Telephone Calls**

An employee on travel status overseas shall be reimbursed the costs incurred for local and long-distance telephone calls necessarily placed as a result of the Employer’s business. Receipts are required for calls placed while on overseas travel.

Employees travelling internationally are encouraged to be provided with international telephone-card privileges, or government international telephone network facilities, which are to be used in a reasonable manner.
Foreign Currencies
The costs incurred in converting funds to foreign currencies and reconverting any unused balance to Canadian currency shall be reimbursed based on receipts. If payment was in cash, the exchange rate will be as indicated on banking documents. If payment was made by debit or credit, the exchange rate will be as indicated on the individual’s account statements. Employees are required to submit account statements and/or banking documents when submitting foreign receipts to ensure the actual cost in Canadian currency is reimbursed.

Additional Medical Coverage
Claims for doctor, ambulance, hospital, etc., that have not been paid by MSI will be submitted as a separate request for indemnity signed by the deputy head. Such claims should not be included on a normal expense account. The government carries a policy that provides personal accident insurance on employees who are engaged in work pursuant to their employment, which includes travelling on the Employer’s business in any form of transportation. Blue Cross or other travel medical insurance coverage is a personal expense, and premiums may not be claimed.

Insurance
Employees are insured by government for travel outside Canada, and the cost of additional insurance purchased voluntarily by the employee shall not be reimbursed.

Employees on international travel shall be entitled to reimbursement of the cost of insurance to cover repairs or a replacement of lost or damaged luggage while travelling, except where such coverage is provided by the carrier.

Passports
When an employee is required to undertake international travel on authorized Employer business, the employee shall make the necessary arrangements for obtaining an appropriate official passport or visa and any required inoculations, vaccinations, x-rays, and certificates of health at no expense to the employee.

General
Receipts
Detailed receipts must be obtained and submitted (as described by the Operational Accounting division of the Financial Services Delivery branch of Internal Services) to support all travel expenditures, including transportation ticket stubs; pre-paid transportation and meals or accommodation shall also be noted.
The only expenses for which receipts are not required are as follows:

- parking meter
- claims for per diem meal allowances (unless otherwise specified)
- incidental expenses
- taxis utilized on trips for which the cost is $7.00 or less
- claims for car mileage or allowances
- private accommodations.

Where the employee certifies that the receipt was lost, accidentally destroyed, or unobtainable, a personal declaration may replace the receipt. Credit card transaction records are not acceptable as receipts.

**Attendance at Luncheons, Conferences, etc.**

If authorized by the deputy head to attend a luncheon, business meeting, conference, convention, or part thereof, an employee may claim the related expenses. A travel expense claim must indicate the Employer-related purpose and the number of persons. This also applies to activities such as monthly meetings of associations for attendance as authorized.

**Entertainment/Hospitality**

Entertainment/hospitality expenses are not travel expenses. Claims for entertainment or hospitality expenses will follow the Hospitality Policy (Manual 300: Common Services, Chapter 7, Policy 7.12). Employees should seek advice from the Operational Accounting division of the Financial Services Delivery branch of Internal Services for the procedure to have these expenses approved and reimbursed <TransactionalServices@novascotia.ca>.

**Extended Travel Status at One Location**

If an employee is required to spend in excess of three weeks in travel status at one location, the department shall attempt to make special arrangements for lodging and meals at the most economical rates.

**Weekend Return from Extended Travel Status**

An employee who would otherwise be required to remain on travel status, but who returns to his/her home over a weekend, may be reimbursed in an amount not exceeding the cost of normal transportation to his/her home and return, or an amount equivalent to the cost of meals and accommodation had the employee remained on travel status, whichever is less.
A deputy head may authorize an employee to combine a business journey with one taken for vacation or other personal reasons. All expenses relating to an employee’s spouse are not allowable. The allowable travel expense will be limited to those actual, allowable costs that would have arisen if the journey had been made solely for business purposes and in no instance may exceed the most economical means of travel.

**Expenses on Behalf of Another Person**

Expenses cannot be submitted on behalf of others. Those individuals must submit the request for reimbursement directly.

**Third Party Invoices**

Travel expenses cannot be billed directly to the Province by the service provider. Employees must pay the service provider and then seek reimbursement. Conference fees can be billed directly to the Province but no additional amounts for travel expenses (such as accommodation and meals) can be added to this fee. If the published standard conference fee includes such expenses, direct payment is permissible.

**Authorizing Claims**

Deputy heads must have their travel request and travel reimbursement request authorized by the Deputy Minister of the Office of the Premier. A claimant may not authorize his/her own claims.

**COMMERCIAL TRANSPORTATION**

The selection of the mode, class, and schedule of commercial transportation shall be made by the Employer on the basis of cost, convenience, and practicality.

Where commercial transportation is authorized and used, the employee will be reimbursed the actual and reasonable costs upon evidence of payment.

When an employee has an aversion to air travel, the Employer shall endeavour to schedule the work so that time will permit the employee to travel by other means as determined by the Employer if deemed economical and practical in the circumstances.

An employee will be reimbursed costs incurred, provided receipts are provided, in transporting personal effects or government-owned equipment at excess luggage rates, if the Employer agrees that it was necessary for the effects or equipment to be taken on the journey.
AIR TRAVEL

Standard for Air Travel
The standard for air travel is economy class and this includes charters and other reduced fares. This rule may be varied only when an additional cost is justified by program-related reasons such as there being no less expensive class of air travel available and a delay in arrival is unacceptable. The use of a class more expensive than economy must be specifically authorized by the deputy head. In all other instances, the lowest available airfares appropriate to particular itineraries shall be sought when making bookings. Discount and reduced fares shall be selected rather than full-fare economy when these rates are available.

The various restrictions or benefits that may apply to certain special fares should be taken into account when determining the most economical means of travel available. The possibility of increased travel costs occurring through the payment of additional living expenses to the employee should be taken into consideration in order to meet the conditions of the carrier’s special fare.

Travel agents are only to be used for trips outside of Canada and the United States, or for trips where two or more layovers are expected. Travel agent expenses for trips within Canada and the United States for which there are fewer than two layovers will not be reimbursed.

Travel Insurance
The province has a comprehensive insurance policy for air travel, and claims for the cost of additional coverage will not be reimbursed. Cancellation insurance for flights and other travel-related expenses should not be purchased and the cost of coverage will not be reimbursed.

Itineraries
Itineraries should be arranged to provide for an overnight stop after continuous travel time of at least nine hours.

To alleviate fatigue caused by rapid time-zone changes or overnight travel, a suitable rest period will be arranged between the time the employee arrives at the destination and the time the employee is required to report for work.

Business/Executive Class Air Travel
Business/executive class air travel may be authorized in accordance with the following principle:
• When the Employer requires the employee to travel on a continuous flight of nine or more hours with no stops between scheduled departure and scheduled arrival times, or with one or more intermediate stops without an overnight stay, upgrading the class of air travel shall be authorized when requested by the employee, and the Employer is expected to upgrade those flights that do provide this possibility as deemed practical.

Ground Transportation
The cost of transportation to and from an airport may be claimed and, wherever practical, such travel should be by airport bus or other economical means.

Refunds of Airfare
A refund of airfare paid by an airline to an employee who is bumped or voluntarily postponed his/her flight at the request of the airline will be refunded to the province.

Private Aircraft
• The use of a government aircraft may be authorized by the deputy head when this mode of transportation is considered both economical and practical.
• The use of a private aircraft, privately owned or rented, may be authorized by the deputy head when this mode of transportation is considered both economical and practical.
• Employees who carry private life insurance policies are advised to confirm with their insurance agent that they are adequately insured if they use non-commercial flights.

SURFACETRAVEL
Employees may travel by bus, rail, boat, taxi, or rental car, whichever is the most economical means of transport or at the discretion of the deputy head when determined reasonable under the circumstances.

Class of Travel
If travel by rail or boat is authorized, the employee is to use the most economical rate for appropriate accommodations in relation to the duration of the trip. First-class rail passage may be booked if necessary, to obtain sleeping accommodations.

Buses
Local public transportation and inter-city buses can often be used and should be used whenever practical.
Taxis

In general, the use of taxis should be confined to short trips in situations where it is not suitable or reasonable to use local public transportation. The points of departure and destination must be indicated.

EMPLOYEE-DRIVEN VEHICLES

Distance Limits

The following guidelines have been developed, which are intended to support employee safety. Specific situations may require different approaches being taken. If an employee's destination is further than 450 kilometres away, the use of the employee-driven vehicle should not normally be authorized. However, when travel by commercial carrier presents significant inconvenience or is not deemed practical by the Employer in terms of overall costs, including salary and other expenses, an employee-driven vehicle may be authorized.

In the interest of safe driving, when employee-driven vehicles are authorized, employees should not normally be expected to drive more than:

- 300 kilometres after having worked a full-day
- 450 kilometres after having worked one-half day
- 600 kilometres on any day when the traveller has not worked.

Payments in excess of those normally incurred, such as road, ferry, bridge, tunnel, tolls, and parking charges shall be reimbursed based upon receipts, where available. Drop-off charges shall not be reimbursed unless preauthorized and may be authorized only where it is cost-beneficial.

Additional Charges That May be Claimed

Charges for bridge, ferry, causeway tolls and parking fees actually and necessarily incurred on the Employer's business may be claimed.

GOVERNMENT-OWNED VEHICLES

Authorization

A government vehicle will not be driven by anyone other than an employee unless authorized by the deputy head. Persons authorized to drive government vehicles must have a valid driver's licence. Where convenient public transportation is available, the use of government vehicles should not be authorized.
Carriage of Passengers
Employees authorized to drive a government-owned vehicle must drive it themselves. The government self-insures its own vehicles. There is no liability coverage for unauthorized drivers who would be personally liable in the event of an accident. Furthermore, passengers are not to be carried in a government vehicle unless otherwise authorized by the driver's manager/supervisor.

Reimbursement for Expenses
Claims for expenses incurred while operating government-owned vehicles are not travel expenses and these expenses must be reimbursed through Financial Service Delivery.

Personal Use
Employees shall not use government-vehicles for personal travel, unless specifically authorized. Where personal use is authorized, the employee is responsible to pay mileage for personal use, which includes mileage accumulated for transportation between an employee's residence and the employee's headquarters. The kilometrage rates payable for personal use of government-owned vehicles are outlined in the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations under the Civil Service Act (see Schedule 26-1).

RENTAL VEHICLES
The employee is responsible for the payment of rental costs where such is authorized for travel use. Such cost will be reimbursed to the employee upon receipt of their travel reimbursement request.

Employees using rental vehicles for work related purposes are required to use their government corporate travel credit card to rent the vehicle. Employees may obtain a purchase order through the Operational Accounting division of the Financial Services Delivery branch of Internal Services <TransactionalServices@novascotia.ca> and have the rental car billed via invoice to the Province. The Province of Nova Scotia name must be on the rental agreement to ensure proper insurance coverage. The recommended procedure is for all employees to have a corporate travel credit card. It is the sole responsibility of the employee who rents a vehicle to ensure compliance with the terms and conditions of the corporate travel credit card agreement.

Prior to accepting control of the rental vehicle, and upon return of the vehicle, the employee must perform an inspection of the vehicle with the rental company employee and identify any damage on the rental agreement.
The employee must report any loss or damage to a rental vehicle directly to Insurance and Risk Management.

Contact information:

Toll Free: 1-888-670-7767
Office: 902-424-4440
After hours emergency: 1-902-899-6179

If a secondary damage charge appears on the employee’s government travel credit card statement, the employee must contact Insurance and Risk Management directly.

Where reasonable and practical, only compact-sized vehicles shall be rented. Full-size or specialty vehicles may be authorized only when warranted by:

• the number of passengers to be carried
• the bulk or weight of the goods to be transported
• an extenuating circumstance.

Where practical, a rental vehicle should be used when the anticipated cost is less than the cost to reimburse the employee for kilometrage driven in a privately owned vehicle.

Drop-off charges will not be reimbursed unless preauthorized and may be authorized only where it is cost-beneficial.

Charges for renting a vehicle equipped with winter tires will be reimbursed for employees who use a rental vehicle for work purposes when winter driving conditions may occur.

Other expenses incurred while operating a rental vehicle such as tolls, and parking charges will be reimbursed upon receipts.

**PRIVATELY OWNED VEHICLES**

**Authorization**

The use of a privately owned vehicle on the Employer’s business outside of the province must be authorized by the employee’s manager/supervisor.

**Insurance**

To ensure that employees are adequately protected, privately owned vehicles used on the Employer’s business shall, as a minimum, have basic insurance coverage. The employee is responsible for payment of their respective insurance premiums. When the use of a privately owned vehicle is authorized, the manager/supervisor
must ensure that the employee is informed that the Employer assumes no financial responsibility beyond payment of the authorized kilometre (mileage) rate and that, in the event of an accident, the Employer assures no responsibility for the deductible amounts related to comprehensive or collision coverage.

Reimbursement for Use  
When, for any authorized Employer business travel, an employee requests and the manager/supervisor agrees to the use of the employee's privately owned vehicle, the employee will be reimbursed for the appropriate rate for the actual distance driven on the Employer's business.

Kilometrage  
All employees should refer to the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations under the Civil Service Act (see Schedule 26-1) for information on kilometrage rates payable for the use of privately owned vehicles driven on authorized Employer business. Bargaining Unit employees should also refer to their respective collective agreements. Employees shall use only the most direct routes and shall claim only for distance necessarily driven on the Employer's business travel during the period claimed. Kilometrage claims must be entered as daily totals within each claim, with more detail as required by the employee's supervisor.

Exceptions  
If a department, board, agency, or commission has special operating requirements that cannot be met by the standard provisions, the Minister charged with the Civil Service Act is empowered to approve payment on a non-standard basis.

Parking  
Parking charges are normally not payable when the employee is on duty at the workplace. However, when the employee is authorized to use and uses a private vehicle on the Employer's business travel from the workplace to a point of call, or from a point of call to the workplace, the employee will be reimbursed the actual costs of parking the vehicle for that day only.

An employee in travel status may claim parking expenses for:

- short-term parking when the employee is away from the workplace
- overnight parking when not provided with accommodation
- parking at an airport or other transportation terminal (if it is less costly than access via limousine, bus, or taxi).
Employees will use free parking space when available and lot parking if the expected duration of parking is within the time permitted. Fines for overtime parking are not an allowable expense.

For greater clarity, refer to Manual 300: Common Services, Chapter 3, Policy 3.9 Parking Policy.

**USE OF MOTOR VEHICLE AS A CONDITION OF EMPLOYMENT**

A department wishing to have an employee designated as requiring a motor vehicle as a condition of employment must make an application in writing to the Public Service Commission by completing the “Vehicle as a Condition of Employment” form found at <https://sharepoint.novascotia.ca/myhr/managers/Pages/yourneweeyournewemployee.aspx> (see Doc Type: Form) which includes the following information:

- employee’s name, title, and classification
- distance covered by the previous incumbent in the previous year
- anticipated kilometres for the current year
- nature of function performed
- whether travel could be made more economically by other means without impairment of efficiency
- whether the employee has control over the demand for transportation
- the incidence of usage.

All employees who have been designated as belonging to a class of employment that is deemed to require a motor vehicle must be compensated as outlined in the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations under the Civil Service Act (see Schedule 26-1). Bargaining Unit employees should also refer to their respective collective agreements.

An employee who is receiving a monthly allowance cannot be assigned a government vehicle.

**Change in Monthly Allowance**

A department is responsible for completing and sending to the Public Service Commission and the Department of Finance and Treasury Board, Part V of the Form, Change in Monthly Allowance, to advise of any changes associated with the employee monthly allowance, including:

- when a designated employee is transferred to a non-designated position or leaves the employ of the department and is no longer eligible for the allowance
• to reduce the monthly allowance when the employee has had leave with pay for more than 30 working days or leave without pay
• reduction in the allowance and calculation of past-month allowances for newly appointed or resigning employees will be made at the rate of $9.66 per day.

ACCOMMODATION

Reimbursement and Standards
The deputy head will authorize an employee to stay in establishments that are conveniently located and comfortably equipped. An employee will be reimbursed only the actual and reasonable expenses incurred for commercial accommodation authorized by the Employer, and proof of payment is required. The use of luxury accommodation will not be authorized.

When planning trips, employees should normally stay at establishments offering government rates. It is the responsibility of the employee to identify himself/herself as a government employee in order to ensure that the government negotiated rate for commercial accommodation is provided.

Private Accommodation
Where the employee is required to be away overnight on the Employer’s business and his/her supervisor has authorized the use of private overnight accommodation, the employee may be reimbursed to a maximum per night rate as identified in Schedule 26-2.

Other
When other types of facilities are used, for example campsites, the employee will be reimbursed for any actual and reasonable charges associated with the use of the facility, supported by receipts.

Cancellations and Guaranteed Reservations
When travel plans change and the accommodation will not be required, the employee shall ensure that reservations are cancelled directly with the commercial establishment(s). Proof of cancellation shall be obtained (i.e., cancellation number and agent’s name).

Hotel Overcharges
It is the employee’s responsibility to question the commercial establishment when the rate charged is in excess of the negotiated rates for government. In the event that an employee inadvertently overpays or is charged a rate above the government-negotiated rate, the Employer shall intercede on the employee’s behalf as appropriate.
MEALS

General
All employees should refer to Schedule 26-2 for information on meal allowances. Bargaining Unit employees should also refer to their respective collective agreements.

Travel Status with Overnight Accommodation
For each day or part day in travel status where overnight accommodation is authorized, an employee shall be paid a meal allowance for each breakfast, lunch, and dinner, when applicable, if the meal was not provided free of cost to the employee or as part of the transportation cost. When this allowance is paid, no additional amount may be claimed for meals, or for gratuities associated with meals.

Travel Status of Less Than One Day
For travel status of less than one day, when a round trip journey generally takes place on the same calendar day, the appropriate meal expenses will be paid. When the employee has been travelling on the Employer’s business for more than one hour before the recognized time for the start of the day’s work, breakfast may be claimed; when the employee is not expected to return to his or her residence before 6:30 pm, dinner may be claimed.

Meals within Headquarters Area
Meal expenses incurred within the headquarters area shall not be reimbursed except as otherwise provided for in the policy. Expenses incurred in connection with attendance at meetings or events that are of personal interest shall not be reimbursed.

In situations not covered by terms and conditions of employment or collective agreements, employees who are required to work through or beyond normal meal hours and who are clearly placed in situations of having to spend more for the meal than would otherwise be the case may be reimbursed based on receipts, within the limits indicated in Schedule 26-2, or when circumstances dictate, actual and reasonable expenses may be reasonably reimbursed when employees are placed in situations where a meal is of exceptionally high or low cost in the following circumstances:

- When employees are required to attend conferences, seminars, meetings, or public hearings at which weekend sessions are scheduled
• when employees are required to attend formal full-day conferences, seminars, meetings, or hearings and where meals are an integral part of the proceedings
• when Employer representatives are involved in collective bargaining proceedings
• when intensive task force or committee studies are enhanced by keeping participants together over a normal meal
• other exceptional situations resulting directly from an employee’s duties where the reimbursement of meal expenses is clearly reasonable and justifiable.

Meals Provided
Throughout the total period in travel status, deductions from the per diem meal rates shall be made in respect of meals provided, such as meals served by a carrier en route, or meals included in conference registration fees or accommodations costs.

Employees whose religious beliefs or medical requirements prohibit them from consuming certain foods should be aware that appropriate meals can normally be obtained from caterers and air carriers, provided that adequate advance notice of a special requirement is given.

Exceptional Circumstances
It must be emphasized that these provisions are not intended to provide additional meal allowances or to replace the meal provided by the carrier. They are meant to reimburse expenses reasonably and justifiably incurred under these specific circumstances. The out-of-pocket expense incurred to supplement meals provided en route by the carrier may be reimbursed under the following exceptional circumstances:

• when a carrier’s meal is served at a time that could generally (not personally) be considered as unreasonable, and where the time interval between meals served is clearly excessive and unreasonable, and in such cases reimbursement shall be based on receipts and shall not exceed the per diem meal allowance for that particular meal
• when an employee is required to travel on business via commercial carrier during a period that may generally be considered a reasonable meal hour, and where the carrier provides an inappropriate meal, the traveller may be reimbursed for actual costs incurred that do not exceed the prescribed allowance for the appropriate meal, and receipts are required.
Incidentals and Other Expenses
Reasonable expenses incurred by an employee on the business of the Employer may be reimbursed by the Employer subject to the Employer’s approval. In addition, where an employee is travelling overnight on the Employer’s business, the employee will be reimbursed an allowance for incidentals per day, as identified in Schedule 26-2, to cover miscellaneous out-of-pocket expenses.

TIPS AND GRATUITIES
When claiming per diem meals, tips and gratuities are provided for in the per diem amount. Tips are allowable on meals and only up to 15% of the total amount.

DRY CLEANING AND VALET SERVICE
Dry cleaning and or valet service charges may be claimed only where essential due to extraordinary circumstances and performed while the employee is in travel status. Receipts must accompany the claim.

NO HAIRCUTS
No haircuts may be claimed, as they are not an allowable travel expense.

LAUNDRY
Laundry charges are claimable only if:
• the employee is in travel status in excess of five nights
• laundry service is performed while the employee is in travel status
• the claim is submitted with receipts.

TELEPHONE CALLS
An employee on travel status will be reimbursed the costs incurred for necessary local and long distance telephone calls. Long distance telephone calls claimed must be reasonable and supported by statements.

ILLNESS, ACCIDENT, OR FAMILY EMERGENCY
When, in the opinion of the attending physician, an employee’s condition resulting from illness or injury while in travel status warrants the presence of the next of kin or a representative of the family, actual and reasonable transportation and accommodation expenses may be paid with the approval of the deputy head.
Monitoring

All deputy heads are responsible for ensuring monitoring procedures are established to determine compliance with the Travel Policy. The Department of Internal Services is responsible for regularly monitoring the corporate policy having regard to performance and effectiveness in achieving the policy objectives. The Public Service Commission will provide input to the policy’s Schedules when specific changes are the result of collective bargaining.

References

Corporate Administrative Policy Manuals
- 3.9 Parking Policy (Manual 300, Chapter 3 Government Services)
- 7.12 Hospitality Policy (Manual 300, Chapter 7 Other Policy Statements)
- 7.1 Moving and Relocation Policy (Manual 500, Chapter 7 Moving and Relocation)

Civil Service Act and regulations

Appendices

Schedule 26-1: Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations
Schedule 26-2: Meal Allowances

Enquiries

Operational Accounting Division, Financial Services Delivery, Internal Services (902) 424-0778

Approval date: August 10, 2016
Approved by: Treasury & Policy Board
Effective date: October 1, 2016
Administrative update: October 5, 2017
Schedule 26-1

Regulations Respecting Kilometrage Rates, Monthly Allowances and Transportation Allowances made by the Public Service Commission pursuant to Sections 7 and 45 of Chapter 70 of the Revised Statutes of Nova Scotia, 1989, the Civil Service Act

Citation

1 These regulations may be cited as the Kilometrage Rates, Monthly Allowances and Transportation Allowances Regulations.

Definitions

2 In these regulations,
   (a) “Act” means the Civil Service Act;
   (b) “Agreement” means the Civil Service Master Agreement between the Province of Nova Scotia and the Nova Scotia Government and General Employees Union as amended from time to time.
   3 repealed

Kilometrage rates

4 Except as provided in Section 5, an employee must be paid for all kilometres that the employee drives in connection with their employment, in accordance with the rates established under the Agreement.

Monthly car allowances

5 (1) Each of the following employees of the Department of Transportation and Infrastructure Renewal must be paid the monthly allowance established under the Agreement for that class of employee instead of the kilometrage rates referred to in Section 4:
   (a) an engineering survey technician;
   (b) a project engineer;
   (c) a scale house operator;
   (d) a road transport inspector.
   (2) An employee is designated by the Commission as belonging to a class of employment for which availability of a motor vehicle is deemed to be a condition of employment may opt to receive a monthly allowance in accordance with subsection (3) instead of the kilometrage rates set out in Section 4.
(3) An employee who opts to receive a monthly allowance under subsection (2) must be paid
   a) the monthly allowance established under the Agreement for that class of employee; and
   b) for all kilometres that the employee drives in connection with their employment, a rate per kilometer as established under the Agreement for that class of employee.

Request for change - kilometrage or allowance
   6 If an employee who has the option of receiving a monthly allowance under subsection 5(3) wishes to change from a monthly allowance to the kilometrage rates under Section 4 or from the kilometrage rates to the monthly allowance under subsection 5(4), the employee must notify the Public Service Commission in writing
      a) no later than April 30th in the year for which the change is requested; or
      b) no later than 30 days after they become eligible to make the option.

Determining when vehicle is condition of employment
   7 (1) In this Section, “designate” and “designation” refer to the designation by the Commission of an employee as belonging to a class of employment for which availability of a motor vehicle is deemed to be a condition of employment.
   (2) A designation may be granted only on the recommendation of the Deputy Minister of the department in which the employee is employed.
   (3) Subject to subsections (4) and (5), a decision by the Commission to designate an employee must be made in accordance with the following criteria:
      a) if the employee drives 3218.6 km per year or fewer in connection with employment, the designation must not be granted;
      b) if the employee drives more than 3218.6 km but fewer than 16 000 km per year in connection with employment, the decision to designate the employee must be based on criteria established by the applicable department and the department’s recommendation that using a privately-owned motor vehicle is the most efficient manner of providing transportation to fulfil the employee’s job function, particularly as it relates to providing services to the public;
      c) if the employee drives 16 000 km per year or more in connection with employment, the designation must be granted.
(4) In making a designation, the Commission must consider all of the following:
   a) whether the employee can travel more economically by means other than
      privately-owned vehicle without substantial impairment to the efficiency of
      service;
   b) the nature of the job function performed by the employee and any
      requirements for transportation that could be met by other means of
      transportation, including a rental vehicle and public transportation;
   c) whether an employee has control over the demand for transportation and
      whether the demand for transportation can and does occur at any time;
   d) whether an employee must have transportation available, and how often
      transportation is needed.

(5) After considering the matters set out in subsection (4) in deciding whether
    to designate an employee, the Commission may act outside the criteria set out in
    subsection (3) if it determines that under the circumstances the criteria should not
    apply.

Reductions in monthly car allowance

8  (1) An employee’s monthly allowance paid under Section 5 must not be reduced
    as a result of any of the following:
       a) vacation;
       b) special leave with pay for 30 days or less;
       c) sick leave for 30 days or less.

(2) A monthly allowance paid under Section 5 for an employee who is on special
    leave without pay must be reduced in proportion to the number of compensation
    days in the month for which the special leave was granted.

(3) If the Minister or a departmental official delegated by the Minister directs
    that an employee travel outside of their regular district and receive kilometrage
    rates under Section 4 for that travel, the employee’s monthly allowance paid
    under subsection 5(1) or (2) must be reduced in proportion to the number of
    compensation days in the month that the employee is assigned out of their regular
    district, and the employee must be paid at the kilometrage rates set out in Section
    4 for the kilometres travelled outside of their regular district in connection with
    employment.
No government vehicle for employee receiving monthly car allowance

9 An employee who receives a monthly allowance under these regulations must not be assigned a government-owned motor vehicle.

Personal use of government-owned motor vehicle

10 (1) In this Section, ”personal use” means other than government business.

(2) An employee must obtain proper authorization before using a government-owned motor vehicle for personal use.

(3) Any kilometres driven on personal use must be repaid to the Province at the fixed per-kilometre rate for personal use established by the Canada Revenue Agency as amended from time to time.

Approval required for other payments

11 (1) If specific requirements by departments, boards, agencies and commissions cannot be accommodated under Section 4 or 5, the Minister may approve payment for using a privately-owned motor vehicle on a basis other than as prescribed by Section 4 or 5 to address specific operating requirements.

(2) A payment approved by the Minister under subsection (1) must be approved by the Executive Council.

Transportation allowances

12 (1) An employee who is called back to work must be reimbursed for transportation to and from the place of work to a maximum per call as established under the Agreement.

(2) An employee who is required to travel to and from work between midnight and six o’clock in the morning must be reimbursed for actual transportation expenses incurred to a maximum per shift as established under the Agreement.
Schedule 26-2

Allowances

Meal Allowances
The per diem claimable for each meal (which is interpreted as the actual amount expended up to the maximum rate inclusive of taxes and gratuities) is set out as follows:

- Breakfast per diem: $8.00
- Lunch (mid-day) per diem: $15.00
- Dinner (evening) per diem: $20.00

Breakfast
The cost of breakfast may be claimed only when the employee has been travelling on the Employer's business for more than one hour before the recognized time for the start of the day’s work.

Dinner
The cost of the evening meal may be claimed when the employee is not expected to return to his or her residence before 6:30 pm.

General - Travel Within Nova Scotia
Meals for travel within Nova Scotia will be reimbursed at the per diem rate. Reasonable meal expenses above the per diem rate incurred by an employee on the business of the Employer may be reimbursed subject to the Manager’s approval.

Meals - Out of Province within Canada
The per diems claimable for meals while travelling on official Employer's business outside the province provide an adequate allowance for each day. Recognizing that employees are often restricted to the vicinity of the major hotels with their attendant higher restaurant meal costs, the employee will be reimbursed his/her receipted costs per individual meal that exceed the per diem to the extent that the Employer considers the expenses claimed are reasonable and justifiable in the circumstances.
**Meals - Out of Country**

The per diems claimable for meals while travelling on the Employer's business, as described in the per-country rates of the Federal Government’s National Joint Council Travel Directive, Appendix D <http://www.njc-cnmc.gc.ca/directive/app_d.php>, provide an adequate allowance for each day. Receipts for meals will not be accepted for reimbursement. See Foreign Currencies page 26-10 for exchange rate guidance.

**Incidental Expenses**

Employees will be reimbursed an allowance of $5.00 per day for incidentals to cover miscellaneous out-of-pocket expenses.

**Private Accommodation**

Where the use of private accommodation is authorized by the Employer’s supervisor, Employees may be reimbursed to a maximum of $40.00 per night.
Chapter 27: Fraud
27.1 Fraud Policy

Policy Statement
The Government of Nova Scotia ("Government") recognizes the importance of protecting the organization, its operations, its employees, and its assets from the consequences of fraudulent activity. Government is committed to maintaining the highest standards of respect, integrity, diversity, accountability, and the public good. The Government adopted this policy to ensure consistent and effective prevention, investigation, and reporting of fraud occurrences within Government. The Government has zero tolerance for fraud in any form.

Government values the integrity of staff and recognizes that they have a key role to play in the prevention, investigation, and reporting of fraud. Employees must be vigilant at all times and are required to report any concerns they may have at the earliest opportunity in accordance with the policy guidelines. Government is committed to creating and maintaining an honest, open, and well-intentioned working environment.

Definitions

AUDIT COMMITTEE
The Audit Committee is a cross-representation of the Deputy Ministers’ Committee that is responsible for the oversight of accountability, governance and risk management processes within the provincial government.

EMPLOYEE
A person whose terms and conditions are set out in accordance with the Civil Service Act and regulations and/or Civil Service Master Agreement, as well as other direct employees performing work for the Province and positions designated by the Governor in Council.

DEPARTMENT HEAD
The deputy of the member of the Executive Council presiding over a department and all others whom the Governor in Council from time to time designates as having the status of deputy minister/deputy head/CEO.

DEPARTMENT
Any government department, office, or public service entity established by the Government, as identified under Category 1 in Appendix 1-A of Manual 100, 1.2 Corporate Administrative Policy Manuals Policy.
DIVISIONAL HEAD
The executive director or director who is accountable for a specific subset of operations within a department.

EXTERNAL PARTIES
Any person or organization that is not employed by, or associated with a Nova Scotia government department (e.g. agency, board or commission), who receives or provides goods and services, income or funding with the Government.

FRAUD
The use of deception with the intent of obtaining an advantage, avoiding an obligation or causing a loss to another party. Examples of fraud are included in Appendix 27-A.

INTERNAL CONTROLS
Processes, effected by the Government, designed to provide reasonable assurance regarding the achievement of corporate and departmental goals and objectives.

Policy Objectives
This policy is established as part of the Government’s network of controls that aid in the prevention and detection of fraud. It helps promote consistent organizational behaviour by highlighting responsibility for the development of controls and the ways of reporting fraudulent behaviour.

Application
This policy applies to all employees with respect to any suspected fraudulent acts against the Government involving employees and/or external parties. This policy will apply to all entities as outlined in Manual 100, 1.2 Corporate Administrative Policy Manuals Policy.

Policy Directives
Employees are required to act lawfully and in accordance with government policies and procedures. All employees must report any instances of suspected fraud in accordance with the procedures set out in the policy guidelines. Employees may also make a voluntary disclosure to the Office of the Ombudsman under the Public Interest Disclosure of Wrongdoing Act.
Allegations under this Fraud Policy are serious. All persons involved in a reported situation are responsible for respecting the reputation of individuals. Employees reporting suspicious incidents under this policy must treat the matter as confidential and not discuss it with anyone other than the person to whom they have reported the incident or the designated investigation team.

Retaliation is prohibited against anyone who has reported a suspicious incident in good faith or has participated in an investigation under this policy. Retaliation may result in disciplinary action.

Reasonable measures shall be taken to maintain confidentiality and to protect, to the extent possible, the identity of the employee(s) reporting suspected offenses under this policy.

Any reports found to be malicious will be reviewed and considered for appropriate discipline of the reporting employee.

The consequences for an employee engaging in fraud will include disciplinary action up to and including dismissal.

For fraud investigations, the department head has the authority to:

a. Initiate any investigation which they consider appropriate

b. Retain professional assistance (e.g. accounting, internal audit) as deemed necessary. Any costs incurred through the use of external parties will be the responsibility of the department.

c. Determine who should perform and/or provide oversight of the fraud investigation procedures (e.g. Internal Audit Centre, third party investigators, Office of the Ombudsman, law enforcement). Department heads will work with the Internal Audit Centre to coordinate procedures to ensure consistent investigation processes.

The rules of procedural fairness govern all activities under the investigation process.

**Policy Guidelines**

Detailed procedures for the reporting and investigation of fraud are available on the Internal Audit Centre’s intranet site (https://isd.iweb.gov.ns.ca/InternalAudit-Resources).
Accountability

AUDIT COMMITTEE
The Audit Committee is responsible for developing and maintaining a Fraud Management Program to help prevent and detect fraud. Specific components of a comprehensive Fraud Management Program include:

• Fraud policies and procedures
• Fraud risk assessment
• Fraud awareness education and training
• Fraud prevention and detection techniques
• Well-documented framework for reporting and investigating allegations of fraud

DEPARTMENT HEAD
Department heads are responsible for implementing and maintaining a system of internal controls for the prevention and detection of fraud.

Specific controls which are important to the prevention and detection of fraud include:

• Segregation of duties
• Regular and timely accounting reconciliations
• Physical safeguards over money and property
• Effective supervision
• Effective Information System Security (e.g. passwords, encryption)

The above controls are not all-inclusive but are general guiding principles.

Specific responsibilities for the reporting and investigation of suspected fraudulent acts can be found in the procedures as set out in the policy guidelines.

Monitoring
The Audit Committee is responsible for the review and update of this policy. The Audit Committee shall monitor the effectiveness of the policy and coordinate periodic reviews.

References
This is an organizational policy designed to supplement other Government policies and is not intended to replace or preclude them. If a situation occurs where there is a conflict between application of this policy and any other government policy, the policy most specific to the situation will apply.
This policy is further supported by the following pieces of provincial legislation and provincial policies. In situations where this policy is in conflict with statutory provisions, the latter shall prevail.

- Public Interest Disclosure of Wrongdoing Act
- Freedom of Information & Protection of Privacy Act
- Values, Ethics, & Conduct: A Code for Nova Scotia’s Public Servants

Enquiries
Executive Director, Internal Audit Centre (902) 722-1310

Appendix
Appendix 27-A – Examples of Fraud and similar illegal activity

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Appendix 27-A

Examples of Fraud and Similar Illegal Activity

The following examples are not intended to be an exhaustive list.

Employees
Some examples of employee fraud or similar illegal acts are:
• falsification or alteration of financial records
• deceitful use of a corporate credit card
• unauthorized use of government owned or leased vehicles and equipment
• corruption of government files or data
• reimbursements for non-legitimate expenses or unworked hours
• accepting bribes or kickbacks
• undeclared conflicts of interest
• theft of cash or cheques prior to entry into the accounting system

External Parties
Some examples of external third party fraud or similar illegal acts are:
• theft of government money or property
• corruption of government files or data
• deliberate short-shipment by a supplier
• deliberate substitution of inferior quality or defective goods by a supplier
• intentional damage of government property
• bid-rigging, price fixing, or kickbacks in the contracting process
• fraudulent claims for social benefits, grants, or other program payments, including refunds and rebates