

## 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).

### Policy Objectives

This policy is based on generally accepted accounting principles (GAAP) for government as documented in the Public Sector Accounting Board (PSAB) Handbook. Following these rules increases the accountability of government.

### Policy Application

This policy applies to all entities within the GRE.

### Policy Directives

PSAB Section 1300, Financial Reporting Entity, governs the inclusion of entities in the GRE. It also establishes the rules for classification as governmental units (GUs) or government business enterprises (GBEs). (See Appendix 4-A.)

The GRE should be reassessed each year-end. As entities meet the GRE criteria and become material, they should be added to the GRE. If an entity is no longer material to the GRE, it may be excluded based on the guidelines below.

A Government Reporting Entity Survey should be completed as part of assessing the inclusion or exclusion of an entity from the GRE (See Appendix 4-B). If a department creates an entity during the year, it should send a control assessment and copies of the entity governance and/or creating documents (e.g., Report and Recommendation, Articles of Incorporation) to the Director of Government Accounting.

Each year, the GUs and GBEs will be asked to supply financial and disclosure information for purposes of preparing the consolidated financial statements. The request will be submitted to chief executive officers and their directors of finance under a covering letter from the Minister of Finance or designate.

## Policy Guidelines

Materiality is a professional judgment factor that is part of the decision process in following PSAB S.1300. Users are interested in information that may affect their decision making. Materiality is the term used to describe the significance of financial statement information to decision makers. An item of information, or an aggregate of items, is material if it is probable that its omission or misstatement would influence or change a decision. If an entity within the GRE is not considered material, it may be excluded from line-by-line consolidation; however, it is still considered and disclosed as part of the GRE.

Health and education are fundamental responsibilities of government. For purposes of consolidated reporting, the main entities providing these services will be included by line-by-line consolidation. This includes district health authorities and non-designated organizations reporting to Department of Health as well as school boards and colleges reporting to Department of Education.

Other entities within the GRE may receive a considerable amount of funding from the province. An assessment of their revenues from outside sources and net surplus/deficit may be done in establishing the impact on the consolidated financial statements. If the impact of an entity is immaterial, specific consolidation may not be required. Its financial results are mostly or partially recorded in the expenses of the department that funds it.

## Accountability

It is the responsibility of Government Accounting and the Controller to ensure that this policy is followed consistently and accurately. Departments are responsible for identifying entities that are new, changed or wound up during the year.

## Monitoring

Government Accounting is responsible for the review and update of this policy.

## References

PSAB Handbook

Consolidation Surveys questioning accountability, control, and ownership from potential entities of the GRE

Legislation governing the establishment or operations of potential entities of the GRE

Consolidated financial statements of other provinces

## **Enquiries**

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

## **Appendix**

Appendix 4-A Relevant PSAB Handbook Sections

Appendix 4-B Defining the Government Reporting Entity: Survey

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*Approval date: July 5, 2001*

*Manual release date: August 21, 2008*

*Approved by: Minister, Department of Finance*

*Most recent review: April 12, 2006*

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## Appendix 4-A

# Relevant PSAB Handbook Sections

### Government Reporting Entity (GRE)

1300.07 The government reporting entity should comprise the organizations that are controlled by the government.

### Control

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

1300.27 Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government business enterprises.

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

### Governmental Units (GUs)

2500.04 A governmental unit is a government organization that is not a government business enterprise. Governmental units would include: government departments, funds, agencies, service organizations, boards, government not-for-profit organizations, and government business-type organizations.

### Government Business Enterprise (GBE)

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.

**Appendix 4-B****Defining the Government Reporting Entity****Survey**

Government Accounting  
Department of Finance

**Instructions:** The purpose of the 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.*

**Entity Name:** \_\_\_\_\_

<b>Primary control indicators:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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?			

<b>Primary benefit/risk indicators:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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 ongoing access to the assets of the entity, with the ability to direct the ongoing use of those assets, or has ongoing responsibility for losses?			

**Defining the Government Reporting Entity  
Survey – Page 2**

When there is no presumption of control, the following factors are likely, either individually or collectively, to be indicative of the existence of control.

<b>Secondary control indicators:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
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-gathering 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 or resources?			
13. Is the mandate of this entity established and limited by legislation?			
<b>Secondary benefit/risk indicators:</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
14. Does the Province hold direct or indirect title to the net assets/equity 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?			

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Partnerships:	Yes	No	N/A
18. Is the entity created by contractual or other arrangement which includes the Province and another party, or other parties, and has the following characteristics: <ul style="list-style-type: none"> <li>- partners cooperate toward achieving <i>significant clearly defined common goals</i>;</li> <li>- partners make a <i>financial investment</i> in the government partnership;</li> <li>- partners <i>share control of decisions related to the financial and operating policies</i> of the government partnership on an ongoing basis; and</li> <li>- partners <i>share, on an equitable or predefined basis, the significant risks and benefits</i> associated with the operations of the government partnership</li> </ul>			
Other	Yes	No	N/A
19. If this entity sells goods and services, including consulting fees and rent revenue, to individuals and organizations as its principal activity, <ul style="list-style-type: none"> <li>a. Approximately what portion of the entities' revenue is from departments and other entities included in the Public Accounts of Nova Scotia? _____ %</li> <li>b. Can this entity operate without funding from the Province (i.e., is it self-sustaining based on revenues earned or funding transfers from non-provincial government entities)?</li> </ul>			
20. Does the organization currently have any of its budget or actual results included in the Department's or Province's budget or financial statements? If yes, please provide the details. _____ _____ _____ _____			

Comments: \_\_\_\_\_  
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 \_\_\_\_\_

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_

**Please return completed surveys to Director of Government Accounting, Department of Finance, 5th Floor Provincial Building, 1723 Hollis Street, PO Box 187, Halifax, NS B3J 2N3**