

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 government service organizations (GSOs) 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.

Each year, the GSOs 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 judgment factor that is part of the decision process in following PSAB S.1300. As a guideline, an entity is considered material if its net assets exceed \$5 million or if a material amount of the entity's revenue comes from sources outside the GRE. If an entity within the GRE is not considered material, it may be excluded from line-by-line consolidation. 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, regardless of materiality. 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 their 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, under direction of the Controller, to ensure that this policy is followed consistently and accurately. The policy directives and guidelines should be updated as PSAB rulings are amended, added, or deleted.

Monitoring

The year-end audit will reveal any misapplication of this policy as it is PSAB Handbook-driven and is one of the bases of the opinion expressed in the Auditors' Report.

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

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Appendix

Appendix 4-A Government Reporting Entity

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Most recent review:

Appendix 4-A

PSAB Handbook Section 1300 Financial Reporting Entity

GOVERNMENT REPORTING ENTITY (GRE)

1300.07 The government reporting entity should comprise the organizations that are *accountable* for the administration of their financial affairs and resources either to a minister of the government or directly to the legislature, or local government council, and are owned or controlled by the government.

Accountability

1300.08 Government organizations receive their operating authority from their incorporating or other enabling legislation. They are *accountable* either directly to the legislature or local government council, or indirectly to them through a minister or senior official, for management's overall actions, operations and administration of the organization's financial affairs and resources.

Ownership

1300.11 A government *owns* an organization when it has created or acquired the organization and, directly or indirectly, holds title to:

- a majority of the organization's shares carrying the right to appoint at least a majority of the members of the board of directors; or
- the organization's net assets such that the government has an ongoing right to access them.

Control

1300.14 A government *controls* an organization when, without requiring the consent of others or changing existing legislative provisions, it has the authority to determine the financial and operating policies of that organization. The authority of a government to determine the financial and operating policies of an organization allows it to establish the fundamental basis for the conduct of the organization's financial affairs, as well as the deployment of its resources.

GOVERNMENT SERVICE ORGANIZATION (GSO)

- I299.19 Consolidation is the most appropriate method of accounting for organizations integral to the overall operations of government in directly performing its executive function. Such organizations include, for example, government departments, funds and government organizations that exist primarily to provide services to government.
- I300.20 Government financial statements should consolidate the financial statements of organizations comprising the government reporting entity, except for government business enterprises.

GOVERNMENT BUSINESS ENTERPRISE (GBE)

- I300.21 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.
- I300.28 Government business enterprises should be accounted for by the modified equity method.

