

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.

GU's, 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

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Approved by: **Executive Council**

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Administrative update: **May 30, 2016**

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.

Entity Name: _____

Primary indicators of control:	Yes	No	N/A
(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:	Yes	No	N/A
(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)	Yes	No	N/A
A government business enterprise is an organization that has <u>all</u> of the following characteristics: <ul style="list-style-type: none">(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):	Yes	No	N/A
A government partnership is a contractual arrangement between the government and a party or parties outside of the government reporting entity that has <u>all</u> of the following characteristics: <ul style="list-style-type: none">(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