

4210 Related Party Transactions

A. Overview

A related party exists when:

- one organization has the ability to exercise control or shared control over the other; or
- the organizations are subject to common control or shared control.

Related parties also include key management personnel and/or close family members of key management personnel, and the entities controlled by, or under shared control of these individuals.

Key management personnel for ministries are the Minister and Deputy Minister. Close family members for these key management personnel are their spouses.

Disclosure is generally required when a related party transaction has occurred at an amount other than fair value and has or could have a material financial effect on the financial statements.

B. Procedures

All transactions that took place at an amount other than fair value, occurred with an organization outside the government reporting entity and have or could have a material financial effect on the financial information of a ministry are considered reportable related party transactions.

The government reporting entity includes organizations such as ministries, Crown corporations, public agencies, school boards and the health authority. For the purposes of communicating a related party transaction which will be assessed for disclosure in the Summary Financial Statements, a transaction is reportable when the difference between what was recorded and the fair market value of the transaction is greater than \$100,000.

Refer to PS2200 Related Party Disclosures for further guidance.

B1. Throughout the Year

Given that written representation is required at year-end from Ministers and Deputy Ministers there are no specific requirements for throughout the year.

B2. Quarter end

Given that no disclosure is included within the quarter-end financial information, no specific procedures are required at quarter end.

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B. Procedures (*continued*)

B3. Year end

Ministries are annually required to provide the Related Party Disclosure Declaration forms to their Deputy Ministers for completion as outlined in [Appendix A - General Revenue Fund Year-end Procedures and Schedules](#). The Officers of the Legislative Assembly are also required to follow these procedures.

Ministers will be provided directly with the Related Party Disclosure Declaration annually for completion.

C. Definitions

Close family members of key management personnel normally include an individual's spouse and those dependent on either the individual or the individual's spouse.

Commonly controlled entities are all public sector entities that comprise a government's reporting entity.

Control is the power of a public sector entity to govern the financial and operating policies of another entity with expected benefits or the risk of loss to the public sector entity from the other's activities.

Key management personnel are those individuals having authority and responsibility for planning, directing and controlling the activities of the ministry or entity.

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. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

Shared control occurs when two or more entities are bound by a contractual arrangement that specifies the agreed sharing of the ongoing power to determine financial and operating policies.

D. References

[Appendix A - General Revenue Fund Year-end Procedures and Schedules](#)

Public Sector Accounting Handbook
PS 2200 Related Party Disclosures

Other Links

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