

PRACTICE GUIDANCE

Related Party Disclosures

Effective April 1, 2017

The Public Sector Accounting Board (PSAB) section 2200 recommends disclosure of related party transactions when:

- A transaction occurs between related parties at a value different from that which would have been arrived at if the parties were unrelated; and
- Transactions have a material financial effect on the financial statements.

A related party exists when one party has the ability to exercise control or shared control over the other. Two or more parties are related when they are subject to common control or shared control. Related parties also include key management personnel, their close family members and entities controlled by them. Key management personnel are individuals who have authority and responsibility for planning, directing and controlling the activities of the entity.

Related party disclosure does not apply to restructuring transactions, transactions that are eliminated on consolidation for consolidated financial statements and those transactions that occur with an entity accounted for under the modified equity method (government business enterprises). Disclosure is not required for key management personnel compensation arrangements, expense allowances and other similar payments routinely paid in exchange for services rendered.

Examples of related parties include:

- Entities within the [government reporting entity](#) are related to all ministries, agencies, Crown Corporations, school districts, health authorities, hospital societies, universities and colleges through common control.
- Key management personnel for a ministry include minister, deputy minister, associate deputy minister, or equivalent and above. Key management personnel for the Crown Corporations include members of the Board of Directors and management employees at the vice president level, or equivalent and above.
- Key management personnel include their close family members, such as spouse, parent, grandparent, grandchild, brother, sister, son, or daughter. It also includes entities controlled by them or their close family members.

Professional judgment is required to determine which related party transactions need to be disclosed.

For entities within the government reporting entity, all related party transactions that occur at non-arm's length, should be identified, measured and disclosed to OCG through the supplementary financial report template.

A declaration will be requested from each key management personnel to identify related party transactions that may have occurred at a value different from that which would have been arrived at if the parties were unrelated. Transactions will be assessed during the preparation of the annual financial statements and will be disclosed if they have a material financial effect on the financial statements.

If related party transaction meets the criteria for disclosure, the notes of the Summary Financial Statements in the Public Accounts may include details such as:

- Information about the nature of the relationship with related parties involved in related party transactions;
- The types of related party transactions that have been recognized;
- The amounts of the transactions recognized classified by financial statement category;
- The basis of measurement used;
- The amount of outstanding balances and the terms and conditions attached to them;
- Contractual obligations with related parties, separate from other contractual obligations;
- Contingent liabilities involving related parties, separate from other contingent liabilities; and
- The types of related party transactions that have occurred for which no amount has been recognized.

This Section is applied prospectively. PS 3420 Inter-entity transactions provides further guidance on how to account for and report related party transactions between public sector entities included in the government's reporting entity from the perspective of both the provider and the recipient.

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