

## REPORT

**REPORT TO:** Mayor Bonnette and Members of Council

**REPORT FROM:** Dana Stanescu, Accounting Supervisor

**DATE:** December 3, 2018

**REPORT NO.:** CORPSERV-2018-0044

**RE:** Related Party Disclosure Requirement

### RECOMMENDATION:

THAT Report No. CORPSERV-2018-0044 dated December 3, 2018 regarding the Related Party Disclosure requirement by the Public Sector Accounting Standards be received for information.

### BACKGROUND:

The purpose of this report is to inform the Mayor and the Members of Council of a new CPA Canada Public Sector Accounting Standard that is required to be applied to fiscal years beginning after April 1, 2017. The Town of Halton Hills must begin applying the new standard for the fiscal year of January to December 2018.

The new standard is PS2200 Related Party Disclosures, and it requires measurement and disclosure of related party transactions between the Town of Halton Hills (the Town) and its related entities, and between the Town and key management personnel.

Disclosure of related party transactions will assist users in understanding the effect of those transactions on the Town's financial position.

### COMMENTS:

For the purpose of this new standard, Key Management Personnel (KMP) are considered to be those individuals having authority and responsibility for planning, directing and controlling the activities of the Town, and they include members of the governing body and senior management.

The new standard does not include disclosure of KMP compensation arrangements, expense allowances or other similar payments routinely paid in exchange for services rendered.

Additionally, the new standard does not require disclosure of all related party transactions. Instead, disclosure is only required when: a) transactions occur between related parties at values different than they would have occurred if the parties were unrelated; and b) transactions and events between related parties have or could have material financial effect on the financial statements.

To help with identifying Related Party Transactions, a Related Party Disclosure Declaration has been developed as attached in Appendix A that will be presented to all members of Council, Commissioners, Directors, and those Managers who have authority to enter into substantial contracts on behalf of the Town. The declarations will list the related party transactions that have taken place and the value of those transactions that have occurred in the year. The attached declaration will be circulated to all KMP and is required to be completed for the January to December 2018 fiscal year and each subsequent fiscal year. Appendix B contains a list of all positions deemed to be KMP.

The declarations will need to be signed by all KMP each year by January 31<sup>st</sup> for transactions that occurred in the prior year. In municipal election years where two different groups of Council might in place for partial periods of a financial year, declarations must be made by all Council members in office during the year. For example, for the 2018 year end, declarations from Council members in place from January 1 to December 2, and Council members in place from December 3 to December 31 are required.

Signed declarations need to be returned to the Treasurer/Manager of Accounting, so that it can be determined whether any related party disclosures are required in the annual financial statements.

The items disclosed will be assessed based on the terms and conditions underlying the transactions, the materiality of the transactions, relevance of the information to the users, and the need for the information to enable users' understanding of the financial statements and for making comparisons to other entities. When it is determined that information about related party transactions need to be disclosed in the financial statements, the disclosure will include the following:

- 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 balance 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.

Items of a similar nature will be disclosed in aggregate.

### **RELATIONSHIP TO STRATEGIC PLAN:**

This report supports Council's current "Top Eight" priorities to:

Provide timely, transparent communications with the residents and business owners.

### **FINANCIAL IMPACT:**

There is no financial impact directly associated with this report.

### **CONSULTATION:**

Halton Region area municipalities and the Town's auditors (KPMG) have been consulted throughout the research towards implementing this new standard, to ensure compliance to the public sector accounting standards, and also to ensure consistency in accounting treatment across Halton Region.

### **PUBLIC ENGAGEMENT:**

There is no public engagement associated with this report.

### **SUSTAINABILITY IMPLICATIONS:**

The Sustainability Implications of the information provided in this report were reviewed against the requirements of the Town's Sustainability Implications Worksheet. The Worksheet is completed for substantial non-administrative reports, major projects, studies, policies and initiatives that are relevant to advancing the Town's economic, cultural, environmental and social wellbeing, and quality of life. Since the report is none of the latter, the Sustainability Implications section is not applicable to this report.

### **COMMUNICATIONS:**

Training and guidance will be provided by the Town Treasurer in the form of a presentation to Council, to ensure clarity around this new reporting standard and to respond to any questions that may arise on the subject.

The attached Appendix A – Related Party Disclosure Declaration will be distributed by the Treasurer/Manager of Accounting to all KMP. Once the forms are completed and signed they will need to be returned to the Treasurer/Manager of Accounting by the required date.

**CONCLUSION:**

The declaration forms completed by KMP will be used by Town staff in the preparation of the annual financial statements. The Town's auditors (KPMG) will audit the assumptions used by Town staff as it relates to related party transactions.

Reviewed and Approved by,

A handwritten signature in black ink that reads "M. J. Leighton". The signature is written in a cursive style with a large initial "M".

**Moya Jane Leighton, Manager of Accounting and Town Treasurer**

A handwritten signature in black ink that reads "Jane Diamanti". The signature is written in a cursive style with a large initial "J".

**Jane Diamanti, Commissioner of Corporate Services**

A handwritten signature in black ink that reads "Brent Marshall". The signature is written in a cursive style with a large initial "B".

**Brent Marshall, CAO**