

Chief Financial Officer's Report to
Priorities and Finance Committee
2019 September 17

ISC: UNRESTRICTED
PFC2019-1094

Related Party Disclosures Policy

EXECUTIVE SUMMARY

Administration is seeking the Priorities and Finance Committee review and approval of a new Council Policy to comply with Public Sector Accounting Standards Section 2200: Related Party Disclosures.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee:

1. Approve the proposed Related Party Disclosure Policy for Members of Council (the "Policy") as provided in Attachment 1;
2. Recommend that Council adopt the Policy as provided in attachment 1, and
3. Forward to Council as a matter of urgent business to the 2019 September 30 Combined Meeting of Council.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2019 SEPTEMBER 17:

That Council adopt the proposed Related Party Disclosure Policy for Members of Council (the "Policy") as provided in Attachment 1.

PREVIOUS COUNCIL DIRECTION / POLICY

As per the 2018 December 04 Priorities and Finance Committee meeting, Administration was directed to review the existing Disclosure Policy for Members of Council (CC044) to include the disclosure requirement for compliance with the Chartered Professional Accountants Canada Public Sector Accounting Handbook Section 2200: Related Party Disclosures ("PS Section 2200") in 2018 and send any recommendations for amendment to Council through the Priorities and Finance Committee no later than the end of September 2019 (PFC2018-1391).

As per the 2019 July 17 Coordinating Committee of The Councillors' Office meeting (CCCO), CCCO approved the Policy (attachment 1) and recommended it be forwarded to the 2019 September 17 Priorities and Finance Committee meeting for approval.

BACKGROUND

Section 276(1) (a) of the Municipal Government Act specifies that the financial statements be prepared in accordance with Canadian generally accepted accounting principles for municipal governments, which are the standards approved by the Public Sector Accounting Board included in the CPA Canada Public Sector Accounting Handbook published by the Chartered Professional Accountants of Canada, as amended from time to time.

Effective 2018 January 01, The City of Calgary ("The City") adopted the new Public Sector Accounting Board accounting standard, Related Party Disclosures. As part of its regulatory requirement, The City must comply with Public Sector Accounting Standards Section 2200:

Approval(s): **Carla Male** concurs with this report. Author: **Greg Wiebe**
City Clerk's: G. Chaudhary

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Related Party Disclosures when preparing its annual consolidated financial statements. A form and instructions were provided to Members of Council to collect related party information as part of the yearend process on 2019 January 15. This requirement was completed for 2018 Annual Report.

The purpose of the proposed Related Party Disclosure Policy for Members of Council is to formalize the annual requirement for Members of Council in support of The City's financial reporting requirements.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

In 2019 May, Administration engaged with The Office of the Councillors to assess the best approach for updating the existing Disclosure Policy for Members of Council (CC044) as per direction provided by the Priorities and Finance Committee (PFC2018-1391).

After discussion with the Manager, Office of the Councillors, it was assessed that the related party disclosure requirements were sufficiently different and separate from the pecuniary interests disclosures outlined in the Disclosure Policy for Members of Council (CC044) and that a separate Council policy be drafted in order to maintain clarity in the different reporting requirements expected for Members of Council.

Administration and The Office of the Councillors collaborated in creating the proposed new Related Party Disclosure Policy for Members of Council.

CCCO approved the Policy (attachment 1) and recommended it be forwarded to the 2019 September 17 Priorities and Finance Committee meeting for approval.

Stakeholder Engagement, Research and Communication

In 2018, Administration consulted with The City's external auditor and the external auditors agreed with Administration's assessment of the Key Management Personnel (The Mayor and The Councillors) required to provide disclosure.

Administration was successful in implementing these requirements with the help of the Members of Council for the 2018 annual report. All Members of Council signed off and the disclosures were compliant.

Strategic Alignment

Financial reporting compliance with provincial legislation is essential to ensure public confidence transparency and accountability.

Social, Environmental, Economic (External)

Transparency and accountability supports "Building towards a Calgary that works for all Calgarians."

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Financial Capacity

Current and Future Operating Budget:

There are no specific financial implications to the current and future operating budget associated with this report

Current and Future Capital Budget:

There are no specific financial implications to the current and future capital budget associated with this report.

Risk Assessment

Each municipality must prepare its financial statements in accordance with Public Sector Accounting Standards. If this policy is not approved, then it would impede the collection of required disclosure information and pose a risk that The City would not be able to receive an unmodified audit opinion from the external auditor for the annual report.

REASON(S) FOR RECOMMENDATION(S):

The Related Party Disclosure Policy for Members of Council (the "Proposed Policy") documents the annual regulatory requirement expectation for all Members of Council. Having Council approve the Proposed Policy ensures The City can be compliant with the Municipal Government Act and the accounting standards included in the CPA Canada Public Sector Accounting Handbook published by the Chartered Professional Accountants of Canada as established by the Public Sector Accounting Board.

ATTACHMENT(S)

1. Attachment 1 – Proposed Related Party Disclosure Policy for Members of Council
2. Attachment 2 – 2018 Key Management Personnel declaration form (sample)