

**Chief Financial Officer's Report to
Priorities and Finance Committee
2018 December 04**

**ISC: UNRESTRICTED
PFC2018-1391**

Related Party Disclosure Report

EXECUTIVE SUMMARY

Administration is seeking approval to collect the information required to comply with Public Sector Accounting Standards Section 2200: Related Party Disclosures.

ADMINISTRATION RECOMMENDATION:

1. Recommend Council approve the collection of required information from The Mayor and The Councillors as defined by Attachment 2.
2. Direct Administration to review and amend the existing Disclosure Policy for Members of Council (CC044) to include the disclosure requirement in 2019.
3. Forward to Council as a matter of urgent business to the 2018 December 17 Regular Meeting of Council.

PREVIOUS COUNCIL DIRECTION / POLICY

Not applicable.

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 for fiscal year 2018, The City of Calgary (The City) must comply with Public Sector Accounting Standards Section 2200: Related Party Disclosures, when preparing its annual consolidated financial statements.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Administration performed an analysis on Public Sector Accounting Standards Section 2200: Related Party Disclosures. The standard requires disclosure of related parties from Key Management personnel and their close family members.

As per PSAS 2200.10, *"The determination of whether an individual is included in key management personnel requires judgment. Key management personnel could include:*

- a) *Directors or members of the governing body of the entity, where that body has authority and responsibility for planning, directing and controlling the activities of the entity*
- b) *Senior management of the entity, including the chief executive or permanent head and senior management group who have the day-to-day responsibility for managing the entity's activities and operations, and who have been delegated authority and executive powers to implement the planning, directing and controlling decisions and initiatives of the governing body."*

Based on the guidance from the standard, Administration defined the following terms:

- Key Management Personnel - within Members of Council are defined as The Mayor and The Councillors.

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- Key Management Personnel – within Administration are defined as The City Manager, The Deputy City Manager, The Chief Financial Officer, The City Solicitor and General Counsel, and The General Managers.
- Close Family Members – defined as spouse, interdependent adult partner, and any dependents of the Key Management Personnel.

Administration created a process to collect the required information from Key Management Personnel. A declaration is required on an annual basis and further disclosure is required on the financial statements (see Attachment 3 for sample) when the related party has:

- Transactions/Contracts with The City, and;
- Transactions that are not executed at fair market value

Refer to Attachment 1 and 2 for further information.

Administration's approach in implementing the new standard is as follows:

- For Key Management Personnel with Administration, this requirement will be included as an amendment in 2018 to the Conflict Interest Policy (HR-LR-004).
- For Members of Council, Administration is seeking approval to collect the required information for fiscal year 2018.
- To direct Administration to amend the Disclosure Policy for Members of Council (CC044) to include this annual requirement for subsequent cycles.

Stakeholder Engagement, Research and Communication

Upon Council's approval of the recommendations, Administration will request the Key Management Personnel Declaration to be completed by The Mayor and The Councillors by February 15, 2019. The information will be used to prepare The City's annual consolidated financial statements for the year ended December 31, 2018. Administration has consulted with The City's external auditor and they are in agreement with Administrations assessment of the Key Management Personnel required to provide disclosure.

Strategic Alignment

Financial Reporting compliance with provincial legislation is essential to ensure public confidence and fulfill the public's need for transparency and accountability.

Social, Environmental, Economic (External)

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

Financial Capacity

Current and Future Operating Budget:

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

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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 Council does not approve this report at the 2018 December 17 Regular Meeting of Council, then it would impede the collection of required disclosure information and pose a risk that The City would not receive an unmodified audit opinion from our external auditor for the 2018 annual report.

REASON(S) FOR RECOMMENDATION(S):

Council approval of this requirements is required to comply with Section 276(1) (a) of the Municipal Government Act which 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 for fiscal year 2018, the City must comply with Public Sector Accounting Standards Section 2200: Related Party Disclosures, when preparing its annual financial statements.

ATTACHMENT(S)

1. Attachment 1 – Instructions for Key Management Personnel Declaration Statement
2. Attachment 2 – Key Management Personnel Declaration Statement
3. Attachment 3 – Sample Disclosure on Financial Statements