

RELATED PARTY DISCLOSURE PROCEDURE

This procedure is governed by its parent policy. Questions regarding this procedure are to be directed to the identified Procedure Administrator.

Functional Category:	Finance
Parent Policy:	Financial Management Policy
Approval Date:	March 14, 2022
Effective Date:	March 14, 2022
Procedure Owner:	Vice President, Administration and Chief Financial Officer
Procedure Administrator:	Director, Financial Services and Controller

Overview:

For purposes associated with related party relationships and transactions, NorQuest College (college) and NorQuest College Foundation are required to comply with accounting practices that are outlined in the Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting (PSA) Handbook¹, Section PS2200 Related Party Disclosures and PS3420 Inter-entity Transactions.

This procedure defines a related party and establishes disclosures required in financial statements for related party transactions.

Authority to establish this procedure is derived from the [NorQuest College Board of Governors Policy No. 5](#), which delegates authority to the President and CEO to establish policies and procedures for the college's management and operation.

Procedures:

Identification of A Related Party

A related party can be an entity or an individual. From the perspective of the entity that is reporting, parties related to it typically include those:

- (a) entities that control it, share control of it, or it controls;
- (b) entities that are subject to common control;
- (c) entities that it shares control of with other commonly controlled entities;
- (d) entities that are subject to shared control by other commonly controlled entities;
- (e) entities that it shares control of with other entities;
- (f) entities that are subject to shared control by other commonly controlled entities and other entities;
- (g) individuals who are members of key management personnel or close family members of those individuals; and
- (h) entities controlled by, or under shared control of, a member of key management personnel or a close family member of that individual.

Financial Services maintains lists of suppliers and customers having transactions with the college and the NorQuest College Foundation. Financial Services will identify if any of the entities on the lists are considered a related party and if the related party's transactions have occurred during the specific fiscal year.

¹ Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting (PSA) Handbook, PS2200.06-07.

Declaration of Key Management Personnel (KMP) Related Party Transactions for Financial Reporting

KMP are those individuals having authority and responsibility for planning, directing and controlling the activities of the entity, including:

- (a) members of the Board of Governors of NorQuest College;
- (b) those charged with governance of the college including but not limited to the president and vice presidents of the college.

The Vice President, Administration & Chief Financial Officer will request that KMP fill out the [Key Management Personnel Declaration Statement on an annual basis](#). Where a KMP identifies a close family member that has a relationship with the college, the family member will be required to fill out the [Close Family Member Declaration Statement](#). The declaration statements are to be completed based on the transactions that have occurred in that fiscal year.

The KMP and their close family members are to provide the signed originals of the declaration statements to the Vice President, Administration & Chief Financial Officer in a sealed envelope. Should the KMP be unable to submit the signed originals by the date required, an electronic copy of the statements will be accepted in the interim.

Signed declaration statements will remain with the Vice President, Administration & Chief Financial Officer. The confidentiality of declaration statements collected shall be maintained at all times. Access will be limited to only the employee(s) who need to review the declaration statements in the course of their duties. If there are reportable related party transactions identified in declaration statements, the Vice President, Administration & Chief Financial Officer will determine if the transactions are to be disclosed.

If the Vice President, Administration & Chief Financial Officer has related party transactions, the President and the Director, Financial Services and Controller will review their submitted declaration statements to determine if the transactions are to be disclosed.

The personal information on the declaration statements is collected pursuant to Section 33(c) of the *Freedom of Information and Protection of Privacy (FOIP) Act* for the purpose of preparing note disclosures for inclusion in the college and NorQuest College Foundation's financial statements in accordance with the Canadian public sector accounting standards and Government of Alberta Office of the Controller corporate accounting policy on Related Party Transactions.

Disclosure of Related Party Transactions

Disclosures are limited to material (both qualitative and quantitative) related party transactions that are undertaken on different terms and conditions that it is reasonable to expect would have been adopted if the parties were dealing at arm's length in the circumstances. In assessing materiality, accountability criteria, users' needs for understanding and assessing the operating environment, and the sensitivity of information should be taken into account. Specific reference should be made to PS2200.16.

When related party transactions concern entity and inter-entity transactions, materiality means each entity's materiality established by management. The Director, Financial Services and Controller will review and determine if disclosure of related party transactions is required and notify the authorized staff who prepare the financial statements with the disclosure information.

Disclosure, if required, is to include:

- (a) nature of the relationship with related parties involved in related party transactions;
- (b) the types of related party transactions that have been recognized;
- (c) the amounts involved;
- (d) the basis of measurement used;
- (e) the amount of outstanding balances and the terms and conditions attached to them;
- (f) contractual obligations and contractual rights with the related parties;
- (g) contingent liabilities and contingent assets involving related parties; and
- (h) the types of related party transactions that have occurred for which no amount has been recognized.

Definitions:

Close family member(s): an individual's spouse as defined in Section 28(1) (zz.1) of the *Alberta Interpretation Act* and those dependent on either the individual or/and the individual's spouse.

Commonly controlled entities: 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 activities².

Key management personnel: individuals having authority and responsibility for planning, directing and controlling the activities of the entity.

Related party: 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 and close family members.

Related party transaction: a transfer of economic resources or obligations between related parties, or the provision of services by one party to a related party. These transfers are related party transactions whether or not there is an exchange of considerations or transactions have been given accounting recognition. The parties to the transaction are related prior to the transaction. When the relationship arises as a result of the transaction, the transaction is not one between related parties.

² Chartered Professional Accountants of Canada (CPA Canada) Public Sector Accounting (PSA) Handbook, PSAS 2200.05(b).

	<p>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</p>
Related NorQuest College Information:	<ul style="list-style-type: none"> • Close Family Member Declaration Statement • Code of Conduct Policy • Financial Management Policy • Key Management Personnel Declaration Statement
Related External Information:	<ul style="list-style-type: none"> • CPA Canada PSA Handbook Section PS2200 Related Party Disclosures (Please contact Financial Services for details) • CPA Canada PSA Handbook Section PS3420 Inter-Entity Transactions (Please contact Financial Services for details) • Government of Alberta Office of the Controller corporate accounting policy: Related Party Transactions (Please contact Financial Services for details)
Next Review Date:	June 2026
Revision History:	<p>June 2017: new</p> <p>May 2018: revision according to 2018 Government of Alberta Office of Controller corporate accounting policy on Related Party Transactions; Application guidance for government organizations on Related Party Transactions.</p> <p>August 2019: Compliance Office template & reorganization update</p> <p>February 2022: reviewed as per the Policy and Procedure Framework Procedure; updated to reflect changes to the organizational structure.</p>