

BOARD PROCEDURE No. 1.6 – Related Party Disclosure

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

Functional Category:	Board
Parent Policy:	Board Policy No. 1 – Board Policies are Our Primary Means of Governance
Approval Date:	March 7, 2022
Effective Date:	March 7, 2022
Procedure Owner:	Board of Governors
Procedure Administrator:	Board Coordinator

Overview:

NorQuest College’s Board members act with the highest standards of conduct. Establishing procedures that assist Board members to understand 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) Handbook Section PS2200 Related Party Disclosures.

Authority to establish this procedure is derived from the NorQuest College Board of Governors Policy No. 1 – Board Policies are Our Primary Means of Governance.

Procedures:

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

KMP are typically the individuals who salaries and benefits are required to be disclosed, including:

- a) Members of the Board of Governors of NorQuest College;
- b) Directors of the Board of Directors of NorQuest College Foundation;
- c) President and Vice Presidents of the college; and
- d) Other individuals whose salaries and benefits are required to be disclosed in the annual financial statements.

The CFO will request that KMP (including the Board of Governors) fill out the Declaration of KMP Transactions for Financial Reporting form on an annual basis. Declaration forms are to include close family members of KMP, which requires judgement. It normally includes the spouse of the KMP, and any dependents of either KMP or their spouse.

Disclosure of Related Party Transactions

The CFO reviews the completed Declaration of Board of Governors Transactions for Financial Reporting form and determines if disclosure of related party transactions is required in financial statements.

The college maintains lists of suppliers and customers having transactions with the college and the NorQuest College Foundation. The College (through the CFO) identifies if any of the entities on the list are a related party and determines if disclosure of related party transactions is required in financial statements. A transaction between related parties is to be disclosed if:

- a) The transaction occurred at a value different from that which would have been arrived at if the parties were unrelated; and

- b) The transaction has or could have a material financial effect on the financial statements.

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 (e.g. legal and accommodation costs).

Disclosure of related party relationships and transactions is in accordance with the Freedom of Information and Protection of Privacy (FOIP) Act for the purposes of complying with the Chartered Professional Accountants Act of Alberta.

Steps

1. The Board will discuss Board Policy No. 8 – Code of Conduct, the Conflict of Interest procedure and this Related Party Disclosure procedure at each annual board retreat.
2. Board members are, upon appointment to the Board and annually thereafter, to confirm in writing that they have read, understood and will follow Board Policy No. 8 – Code of Conduct Policy, the Conflict of Interest Procedure, and this Related Party Disclosure procedure by signing the Code of Conduct and Conflict of Interest Acknowledgement and submitting this declaration to the Board Coordinator.
3. The Board Chair, or Vice Chair where a report is received from the Chair, will counsel the Board member on the potential effects and implications of the conflict or potential conflict and the require actions to manage or mitigate the situation.
4. Board members will declare, prior to discussion of a question at a board/committee meeting, any conflict or perceived conflict of interest and absent themselves from the meeting room during the discussion. Board members will confirm in writing a “Declaration of Conflict of Interest” and submit this declaration to the Board Coordinator. The minutes will record the Board member’s declaration.

Definitions:

Commonly Controlled Entities: all public sector entities that comprise a government’s reporting entity.

Control (per PSA Handbook): 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 activities.

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.

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 (PS2200.06-07).

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.

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.

Related NorQuest College Information:

- [Board Policy No. 1 – Board Policies are Our Primary Means of Governance](#)
- [Board Policy No. 10 – Bylaws of the Board of Governors](#)
- [Board Policy No 8 – Code of Conduct](#)
- [Financial Management Policy](#)

Related External Information:

Next Review Date:

February 2025
This procedure will be reviewed at least once every three years

Revision History:

October 2017: New
February 2020 - Reviewed
February 2022 - Revised