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Directive on Accounting Standards: GC 2200 Related party disclosures

Note to reader

This document is part of the Appendix A of the [Directive on Accounting Standards](#).

A. Primary PSAS reference

PS 2200 Related Party Disclosures

B. Effective date

April 1, 2017

C. Overview

1. Disclosure is required only when related party transactions:
 - a. have occurred at a value different from that which would have been arrived at if the parties were unrelated (PS 2200.04) and;

- b. have, or could have, a material financial effect on the financial statements (PS 2200.04 and .16).
- 2. Departments are required to develop internal tracking mechanisms to gather the information relevant to this standard.
- 3. It is expected that entities leverage existing accountability mechanisms to identify reportable related party transactions, if any, with key management personal (KMP) and to monitor them. These include but are not limited to: *the Conflict of Interest Act*, which applies to public office holders, *the Conflict of Interest Code for Members of the House of Commons* which applies to Members of Parliament, the *Values and Ethics Code for the Public Sector* that applies to all public sector employees, and the *Policy on Conflict of Interest and Post-Employment* that applies to employees of the core public administration. (PS 2200.03).
- 4. In addition, there are mechanisms in place which prevent unfair and unusual transactions from occurring and will limit, if not completely eliminate material, KMP transactions. Examples of these mechanisms include
 - a. TBS policies and directives, as well as internal controls over contracting, which establish the parameters under which expenditures may be undertaken,
 - b. TBS Contracting Policies
 - c. Public Services and Procurement Canada's Code of Conduct for Procurement,
 - d. the limits prescribed in the Treasury Board of Canada Contracts Directive, and
 - e. the Directive on Delegation of Authorities which establishes specific requirements for the delegation of financial authorities and the Chief Financial Officers' responsibility to

establish internal controls for delegations of financial authority. (PS 2200.03)

D. Government of Canada Consolidated Financial Statements

5. For the Government of Canada reporting entity, KMP is defined as follows (PS 2200.10 and .11):
 - a. Ministers
 - b. Deputy Heads
 - c. Heads of Crown corporations
6. As stated in PS 2200.12, the determination of whether an individual would be identified as a close family member of key management personnel requires judgement. At a minimum, this would include an individual's spouse and those dependent on either the individual or the individual's spouse.
7. Only related party transactions with parties outside the Government Reporting Entity are to be considered. (PS 2200.07)

E. Departmental Financial Statements

8. For the departmental financial statements, KMP is defined as follows (PS 2200.10 and .11):
 - a. All KMP as defined in GC 2200.D5
 - b. Associate Deputy Minister
 - c. Assistant Deputy Ministers (ADM)
 - d. Other executives at the EX-4 or EX-5 level depending on the size of the department.
 - e. Members of governing management boards

9. For departmental financial statements, all entities within the Government Reporting Entity are considered to be related parties.
10. Several factors are to be considered in determining whether transactions occurring between related parties could have a material effect on the financial statements. Departments are to refer to the factors listed in PS 2200.16 and GC 1010 Financial Statement Concepts (Materiality)

F. Other related references

[PS 1000 Financial statement concepts](#)¹

[PS 3420 Inter-entity transactions](#)¹

[GC 3420 Inter-entity transactions](#)

[GC 4500 Departmental Financial Statements](#)

[Conflict of Interest Act](#)

[Conflict of Interest Code for Members of the House of Commons](#)

[Values and Ethics Code for the Public Sector](#)

[Policy on Conflict of Interest and Post-Employment](#)

[Policy on the Planning and Management of Investments](#)

[Directive on the Management of Procurement](#)

[Code of Conduct for Procurement](#)

[Directive on Delegation of Spending and Financial Authorities](#)

Footnotes

- 1 Please note that a CPA Canada membership or annual subscription is necessary to access this content.

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