




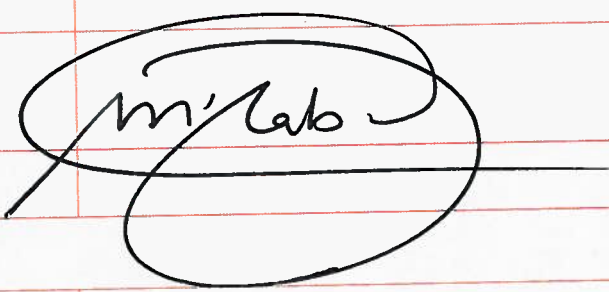
public works

Department:
Public Works
REPUBLIC OF SOUTH AFRICA

PROPERTY MANAGEMENT TRADING ENTITY

RELATED PARTY DISCLOSURES POLICY

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Designation:	Chief Financial Officer
Signature:	
Date:	11-10-2013

Approved by:	Mr Mziwonke Dlabantu
Designation:	Director-General
Signature:	

Effective date:	1 April 2013
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Related Party Disclosures

1. Purpose and objectives

- 1.1. The purpose of this document is to ensure that a PMTE's financial statements contain the related party disclosures as required by Standards of GRAP and the PFMA.
- 1.2. The PMTE needs to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

2. Scope

- 2.1. This policy document covers all the identification of related parties and the required disclosures in terms of the Standard on *Related Party Disclosures* (GRAP 20), the PFMA and Treasury Regulations.
- 2.2. The policy applies to all divisions and functions within the PMTE, including Regions.
- 2.3. This policy supersedes all previous policies applicable to disclosures of related parties.

3. Definitions

- 3.1. The terms included hereunder shall, unless the context indicates otherwise, have the meanings ascribed hereto:
 - **Accounting Officer** is the Accounting Officer as defined in section 1 of the PFMA. The Accounting Officer is the Director-General of the Department of Public Works
 - **Act** refers to the Public Finance Management Act no 1 of 1999.
 - **Client departments** refer to organs of state that do business with the PMTE, including Chapter 9 institutions.
 - **Close members of the family of a person** are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. As a minimum, a person is considered to be a close member of the family of another person if they:
 - (a) are married or live together in a relationship similar to a marriage; or

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(b) are separated by no more than two degrees of natural or legal consanguinity or affinity.

- **Control** is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
- **Executive Authority** refers to the Minister of Public Works.
- **Joint control** is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the joint venture partners).
- **Management** comprises those persons responsible for planning, directing and controlling the activities of the entity, including those charged with the governance of the entity in accordance with legislation, in instances where they are required to perform such functions. Individuals on top management level (Chief Directors and Directors) and executive committee members (Minister, Director General and Deputy Directors General) are considered management. As a minimum, the following are regarded as members of management:
 - (a) The Minister of Public Works;
 - (b) The Director-General of the Department of Public Works;
 - (c) The Chief Financial Officer (for the Department and the PMTE);
 - (d) Chief Directors of the different functional areas of the PMTE.
 - (e) Directors of the different functional areas of the PMTE.
- **A related party** is a person (or a close member of that person's family) or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control. As a minimum, the following are regarded as related parties of PMTE:
 - (a) The National Department of Public Works;
 - (b) All other client departments;
 - (c) All national public entities; and
 - (d) Management of the PMTE.

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- **Related party transaction** is a transfer of resources, services or obligations between PMTE and a related party, regardless of whether a price is charged.
- **Services-in-kind** are services provided by individuals to entities in a non-exchange transaction. These services meet the definition of an asset because the entity controls a resource from which future economic benefits or service potential is expected to flow to the entity. These assets are, however, immediately consumed and a transaction of equal value is also recognised to reflect the consumption of these services in-kind. For example, the PMTE receives internal audit services from the Department of Public Works.
- **Significant influence** is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.
- **Organs of State** refer to government departments, constitutional institutions, trading entities including chapter 9 institutions.
- **Head of the trading entity** refers to either –
 - the Accounting Officer appointed in terms of section 36(3)(b) of the Act; or
 - an official assigned to head the trading entity in terms of section 44(1)(a) of the Act.

4. Legislative framework

- 4.1. In terms of section (40) of the PFMA, the PMTE must prepare annual financial statements in accordance with generally recognised accounting practice (GRAP).
- 4.2. The PMTE, as a trading entity, has to apply Standards of GRAP effective from 1 April 2013, but elected to adopt Standards of GRAP on 1 April 2012 as permitted by Directive 9, issued by the ASB. Directive 2 on *Transitional Provisions for the Adoption of Standards of GRAP by Public Entities, Trading Entities, Municipal Entities and Constitutional Institutions shall be applied for transition purposes.*
- 4.3. The ASB issued the Standard of GRAP on Related Party Disclosures (GRAP 20) in June 2011. The effective date of the Standard is 1 April 2013. The PMTE adopted the Standard early for the financial period ending 31 March 2012.

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5. Policy statement

5.1. General background

5.1.1. This section outlines the policies to be adopted by the PMTE in order to disclose

- a) related party relationships;
- b) related party transactions; and
- c) related party balances and outstanding commitments.

5.2. Identification of related party relationships

5.2.1. PMTE shall identify all related party relationships it has with any related party which include any organ of state and management.

5.2.2. The identification of related parties shall inform the transactions, commitments and outstanding balances to be disclosed.

5.3. Control, joint control and significant influence over other entities

5.3.1. The PMTE may not establish another entity or have a controlling interest, gain joint control or gain significant influence in another entity without prior approval from the National Treasury.

5.4. Disclosure of control

5.4.1. The PMTE shall disclose the fact that it is controlled at a national government level through the Department of Public Works.

5.4.2. In the event that the PMTE may establish control relationship, other than that with the Department of Public Works, the PMTE shall disclose these relationships.

5.4.3. Notwithstanding the fact that a related party transaction may occur between the PMTE and an entity that is controlled by members of management, that will not be disclosed as a relationship of control by the PMTE.

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5.5. Disclosure of related party transactions

5.5.1. To enable readers of financial statements to understand the extent of related party transactions, the PMTE shall disclose ONLY narrative information on related party transactions, commitments and balances if that transaction occurs within:

- a) normal supplier and/or client/recipient relationships where the terms and conditions are not more or less favourable than other entities/persons in the same circumstances; and
- b) the terms and conditions are within the normal operating parameters established by that PMTE's legal mandate.

5.5.2. For all other related party transactions, including transactions with management and their close family members, the PMTE shall disclose:

- a) the amount of the transaction;
- b) the nature of the related party relationship;
- c) information about those transactions;
- d) the amount of outstanding balances, including commitments; and
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
- e) provisions for doubtful debts related to the amount of outstanding balances; and
- f) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

5.6. Remuneration of management

5.6.1 The PMTE shall disclose the remuneration of management per person and in aggregate for each class of management:

5.6.2 The disclosure for management remuneration; For each class of management, the PMTE shall disclose

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- a) Fees for services as a member of management;
- b) Basic salary;
- c) Bonuses and performance related payments
- d) Other short-term employee benefits;
- e) Termination benefits;
- f) Post-employment benefits, where applicable;
- g) Other long-term benefits;
- h) Any commission, gain or surplus sharing arrangement; and
- i) Any other benefits received

6. Implementation

- 6.1. This policy shall be implemented through formal training of key users and on-going support by the process owner.
- 6.2. The Chief Financial Officer is responsible for ensuring that users understand the policy and comply with its requirements.

7. Non-compliance

- 7.1. Any serious or persistent material non-compliance with this policy constitutes misconduct.
- 7.2. If an Accounting Officer is alleged to have committed financial misconduct, the matter must be reported to the Executive Authority for investigation and action. Disciplinary processes must be in accordance with the prescripts applicable in the public service.

8. Responsibility

- 8.1. The overall responsibility for adherence and compliance enforcement to this policy lies with the Accounting Officer.

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9. Approval of the Policy

9.1. This policy shall be approved in terms of the delegation of authority by the Accounting Officer.

10. Review of policy

10.1. The Accounting Officer, with the support of the Financial Planning and Reporting Directorate of the PMTE, shall review the Related Parties policy, at least, once annually to ensure that it enables the achievement of the PMTE's strategic priorities as well as complies with legislation and regulations.

10.2. Any request to amend this policy shall be approved by the Chief Financial Officer and the Accounting Officer before it becomes policy.

11. Acronyms

ASB	Accounting Standards Board
GRAP	Generally Recognised Accounting Practice
PFMA	Public Finance Management Act, Act No. 1 of 1999, as amended
PMTE	Property Management Trading Entity