

AMBER VALLEY BOROUGH COUNCIL
GOVERNANCE STATEMENT
FOR THE FINANCIAL YEAR
ENDED 31 MARCH 2015

1. SCOPE OF RESPONSIBILITY

Amber Valley Borough Council ('the Council') is responsible for ensuring that its governance is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council has embraced the modernisation principles of the Local Government Act 2000 (as amended by the Localism Act 2011) and put into place a Corporate Governance framework for the discharge of this responsibility as set out in its Code of Corporate Governance (CCG). The introduction of the Localism Act 2011 required a new standards framework and the adoption of a pay policy statement. Other aspects of the Council's governance arrangements will be subject to review as fresh challenges arise.

The Council decided in December 2012 to reorganise the way it operates and to make the post of Chief Executive redundant. From 1 January 2013, the Council operates with two Executive Directors who are jointly responsible for the provision of services, one focussing on the operational services the other responsible for resources.

The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council is responsible for ensuring that there is a sound system of corporate governance that includes robust systems of internal control and internal audit that facilitate the effective exercise of its functions, including arrangements for the management of risk. This process is underpinned by the Council developing the six core principles of governance (stated as dimensions in the CCG), as follows:

GOVERNANCE FRAMEWORK 6 CORE PRINCIPLES

1. The Council has a vision for the Borough, Making everywhere in Amber Valley a great Place to live and its ultimate aim is to be the Community Leader. The vision and priorities were set out in the 'Fitness for Purpose' report in December 2008, and these have been refreshed in the Corporate Strategy 2013 – 2016.
2. Members and officers are working together to achieve the vision and priorities, working within the confines of set member/officer protocols
3. The values of the Council were adopted following widespread consultation. These have been communicated to all members of staff during team-development hourly sessions, and have been promoted through its codes of conduct.
4. To further enhance its leadership role, the Council has taken active steps to ensure that its decision-making process is as informed and transparent as possible and subject to effective risk management and robust scrutiny. The Council revised its 'Decision Making in Action' document in March 2010, which explains how decisions are made.
5. The Council has taken active steps to develop the capacity and capability of members and officers to be effective.
6. The Council is committed to ensuring that the Council engages with all its communities and that consultation meets their needs and is meaningful. This is delivered through the Communications Strategy and supporting protocols. It is taking active steps to further engage local people and other stakeholders to ensure robust accountability. For example, Public questions-and-answer sessions at all meetings of the Cabinet, and local 'Have Your Say' events, with Cabinet moving around the Borough to promote greater engagement. As part of its transparency agenda, the Council actively promotes the use of social media, filming and recording at public meetings.

2. THE PURPOSE OF THE SYSTEM OF INTERNAL CONTROL

Embedded within governance arrangements is the Council's internal control system which relates to the policies, processes, tasks, behaviours and other aspects of the Council that taken together:

- Facilitate its effective and efficient operation by enabling it to respond appropriately to significant risks to achieving its corporate objectives;
- Help to ensure the quality of the internal and external reporting environment; and
- Help to ensure compliance with laws, regulations and internal policies with respect to the conduct of its business.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Council's policies, aims and objectives. It can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based upon an ongoing process designed to:

- Identify and prioritise the risks to the achievement of the Council's policies, aims and objectives;
- Evaluate the likelihood of those risks being realised, and the impact should they materialise; and
- Manage them efficiently, effectively and economically.

This system of internal control has been in place at the Council for the year ended 31 March 2015, and up to the date of approval of the annual report and accounts.

3. THE CORPORATE GOVERNANCE ENVIRONMENT

SETTING OBJECTIVES AND MONITORING ACHIEVEMENT

The corporate governance environment supports the Council in establishing, implementing and monitoring its policies and objectives. It comprises a framework of policies, procedures, rules, delegation, accountability, management supervision and regular flows of management information. Council Managers undertake development and maintenance of individual control systems within this framework.

The CCG framework identifies four key areas of Council work that provide a focus for corporate governance:

1. To provide leadership for and with the community and to engage in effective partnerships
2. To ensure the delivery of high quality local services whether directly or in partnership or by commissioning
3. To perform a stewardship role that protects the interests of local people and makes the best use of resources
4. To develop local democracy and citizenship

The framework addresses such items as:

- The ethics within which the Council operates and particularly the seven general principles of public life
- The Council's objectives
- Policy and strategic decision making
- Compliance with laws, regulations and policies and procedures
- Risk management
- Economic, efficient and effective use of resources
- Continuous improvement
- Financial management and reporting arrangements
- Performance management

FACILITATING DECISION-MAKING

The Council has published various documents that reflect the framework:

- The Constitution, which includes
 - Members' Code of Conduct and arrangements for dealing with complaints
 - Officers' Code of Conduct
 - Responsibilities of functions
 - Delegation to officers
 - Various protocols
 - Member — officer relations
 - Members and officers involved in regulatory matters
 - The use of Council resources
 - Roles of committees
 - Roles of the Leader, Mayor, Cabinet Members etc.

- Roles of statutory officers
 - Head of Paid Service
 - Monitoring Officer
 - Chief Financial Officer
- Various rules about procedures
 - Standing Orders
 - Financial Regulations
 - Standing Orders relating to Contracts
 - Access to information
 - Budget and policy framework procedure rules
 - Scrutiny Committee
 - Cabinet
- The Corporate Strategy 2013 – 2016
- Code of Corporate Governance (CCG)
- Risk Management Strategy
- Medium-Term Financial Plan 2015/18
- Treasury Management Strategy
- Data-Protection Policy Statement
- IT Security Policy
- E-mail and Internet Policy
- Counter Fraud and Corruption Policy
- Counter Fraud and Corruption Response Plan
- Anti Money Laundering Policy
- Partnership Behaviour Protocol
- Guiding Principles for making great parks with friends groups
- Raising a Concern
- Raising a Grievance
- Disciplinary Policy and Procedure
- Value For Money Strategy
- Partnership Handbook
- Amber Valley Partnership Governance Arrangements
- Employee Guidance (intranet), including terms and conditions
- Local Code of Practice for Members and Officers dealing with planning matters (currently being updated)

These documents are subject to review to ensure that the aims and principles of the constitution are given full effect, and that they are of continued relevance.

ENSURING COMPLIANCE

The documents mentioned above establish how the Council will operate to ensure that it:

- Maintains and promotes high standards of conduct
- Sets and reviews its priorities, ensures that they support the strategic objectives, and that individual services support the corporate priorities
- Complies with the law, regulations, policies and procedures
- Identifies, evaluates and manages risks to the achievement of its strategic objectives
- Operates a system for the continuous improvement in performance, whereby it sets targets, monitors performance and takes corrective action where necessary
- Has arrangements for the proper administration of its financial affairs, and endeavours to ensure that there are sound financial management and reporting arrangements

The Council's responsibility for ensuring compliance with established policies, procedures, laws and regulations is discharged in a number of ways. In 2007 the Council renewed its Code of Corporate Governance following a comprehensive review. A gap analysis was conducted in 2013 in order to assess areas where the Council needs to carry out further work to enable full compliance with the Code. Reliance is placed on the work of Internal Audit whose programme of work includes compliance checks.

In addition, the Council's Governance and Audit Board, Planning Board, Standards Committee, Improvement and Scrutiny Committee, Cabinet and External Auditors, the Ombudsman, the Council's Independent Person and external inspection agencies such as the Department for Work and Pensions, Revenue and Customs inspectors, Food Standards Agency, Health and Safety Executive and the Electoral Commission contribute to the review of the Council's compliance with policies, procedures, laws and regulations. An Independent Remuneration Panel advises the Council on Members' Allowances.

The Council has a risk management strategy and it maintains departmental and corporate risk registers. The Governance and Audit Board oversees the risk management work programme and consider regular reports on the progress of the work programme and the outputs from it.

Risk management has been embedded through the formal identification and assessment of risks relevant to proposals contained in reports submitted to Cabinet, maintenance of the departmental risk registers, and a review of risks during the business planning process. It is 12 years since the creation of the Council's first risk register and a 100% review of the register has taken place during this year in order to ensure that it remains valid and reflective of the risks the council faces on a day to day basis.

ENSURING ECONOMIC, EFFECTIVE AND EFFICIENT USE OF RESOURCES

The Council's Budget monitoring arrangements define and ensure accountability for use of resources. The Council's Procurement Strategy helps to provide the economic, efficient and effective procurement of goods and services. The Corporate Ambitions and Priorities Plan is produced each year detailing how continuous improvement is to be secured.

The further two year reduction in external grant which started in April 2013 requires the Council to find a further £1.8 million per annum from April 2016. The Council continues to identify savings both of a one off and on-going nature. The revised out turn for 2014/15 achieved a contribution to Reserves of £1,275,921.

There are likely to be even further reductions in external grant from April 2016 as a result of the November 2014 Budget and the July 2015 Mini Budget. The Financial Plan has identified the potential impact of these reductions and the Council will need to determine its service priorities in order address the required savings.

FINANCIAL MANAGEMENT

In accordance with statutory requirements, an officer is designated the Council's Chief Financial Officer. The role of the Chief Financial Officer is supported by the Accountancy team and the Internal Audit service. The Chief Financial Officer is a member of the Council's Management Team and along with the Executive Director (Operations) is jointly responsible for the delivery of council services.

Financial information is held on the Council's financial management system and is available to all officers with budgetary responsibility. In addition, officers receive financial reports every four weeks detailing income and expenditure against budgets for which they are responsible, together with projections of income and expenditure. A summary of this information is reported to the Council's Management Team and to Cabinet members on the Executive.

The Council's financial management arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

PERFORMANCE MANAGEMENT

Performance management is focused on strategic objectives and priorities for improvement being agreed and achieved, linkages established with the Community Strategy, local plans, strategies, team and individual objectives. This is set out in the Council's Corporate Strategy.

Performance is monitored in a variety of ways at an operational level, by monthly reports to the Council's Management Team and the Executive.

4. REVIEW OF EFFECTIVENESS

The Council has responsibility for conducting, at least annually, a review of both the effectiveness of the system of internal control and the system of internal audit. The review process is informed by:

- The work of the Internal Audit function
- Evidence of compliance with the Public Internal Audit Standard
- The Directors and Senior Managers who have responsibility for the development and maintenance of the control environment
- The Risk Register
- Comments made by the External Auditor in their annual audit
- Reports made by various external agencies and inspectors

The Council has adopted a Constitution that lays down the framework setting out how it is to operate. The Standards Committee has responsibility for oversight of the Constitution.

Various committees have a role in the review of controls:

- Cabinet consider service proposals that identify risk management issues including the controls in place to control and reduce those risks
- Improvement and Scrutiny Committee reviews and questions actions or decisions made by the Cabinet or officers, and scrutinises performance against policy objectives and performance targets
- The Standards Committee monitors the operation of the Code of Conduct for Members, arranges training on ethical matters and oversees the whistle-blowing policy and procedure
- The Governance and Audit Board reviews and monitors the arrangements for risk management and internal control

The Directors and Assistant Directors are responsible for the design, implementation and maintenance of the systems within their sphere of work, and they thereby monitor controls to determine their continued relevance and their effectiveness. A review of the Legal and Democratic Services Section was carried out during early 2014 and a re-structure of the service took place during the year. A review of the Planning and Regeneration services commenced in July 2014 and was implemented in May 2015.

The Council has embraced the role of an independent internal audit function, whereby Internal Audit acts as an independent review agency to aid management in its role in the maintenance and review of systems and controls. This function uses a risk-based approach to focus upon significant financial and operational risks relevant to its audit responsibilities.

The Council's external audit is performed by KPMG, as part of their coverage, they review the following:

- How the Council is performing
- The arrangements for financial management
- The arrangements for value for money

They make comment upon these items in their annual letter to the Council, which is received by the Governance and Audit Board.

Other review agencies examine aspects of the Councils' operation and performance and make relevant comments. Such reviews include those from:

- HM Revenue and Customs — review of PAYE and taxation
- Office of the Surveillance Commissioners
- Corporate Peer Challenge — a review took place in November 2014 by the LGA

CODE OF CORPORATE GOVERNANCE (CCG)

The original Local Code was approved by Cabinet on 16 July 2003 (minute 892), and adopted by the Council on 30 July 2003 (minute 1922). The CCG was re-written to comply with new guidance and was approved by Council on the 11th April 2007. Compliance with the latest CCG was assessed in June 2008, an update was produced in 2012 and an assessment was carried out in 2013 to identify any gaps when compared with the latest guidance. The Corporate Peer Challenge made a number of recommendations which are the subject of a report to the Governance and Audit Board in June 2015.

The CCG, the maintenance of the risk register, the internal audit plan and the assessment of the systems of internal control, governance and effectiveness of internal audit inform the production of the Annual Governance Statement which underpin the Council's governance arrangements.

The system of internal control is therefore under regular scrutiny by various individuals and bodies over the course of time.

One weakness in the system of governance has been identified and is shown in Section 5 on page 10.

5. METHODOLOGY FOR THE IDENTIFICATION OF SIGNIFICANT GOVERNANCE ISSUES

The following documents and resources have been used to identify weaknesses in the current governance arrangements:

Document	Resource
Ambitions and Priorities	Members Consultation Panel Performance Team Service Managers
Service Improvement Plans	Service Managers
Risk Register	Internal Audit Service Managers
Annual Audit and Inspection Report Governance Report	External Audit
Internal Audit recommendations	Internal Audit
Organisation structure (revised December 2012)	Officers
Improvement and Scrutiny Committee Workplan	Members
Governance and Audit Board Workplan	Members
Other external reports	External audit Ombudsman — both annual and special reports Corporate Peer Review 2014
Review of the system of production of performance indicators	Internal Audit
Review of the system of internal control	Internal Audit
Review of the effectiveness of the system of Internal Audit	Internal Audit
Review of the Local Code of Corporate Governance	Internal Audit
Annual Reports of Committees and Boards	Service Teams

FOLLOW UP OF 2013/14 ACTION PLAN

Issue detail	Action	Target date for completion	Outturn
Risk management	Implementation of the budget reduction action plan	31 March 2015	On-going Savings of £165,000 were achieved in 2014/15 with a further £186,500 of savings agreed on an on-going basis from 1 April 2015

A WEAKNESS IN GOVERNANCE ARRANGEMENTS FOR 2014/15 HAS BEEN IDENTIFIED AS FOLLOWS:

RISK MANAGEMENT

The continuing reduction in external grant will impact on the Council. There is a £900,000 reduction in 2014/15 and a further £900,000 reduction in 2015/16. A Budget Reduction Action Plan will need to be devised to address the continuing impact on the Council's finances. **Target completion date 31 March 2016.**

Signed by:

Cllr A Cox _____
Leader of the Council

Cllr Chris Short _____
Chairman of the Governance and Audit Board

J Townsend _____
Executive Director (Operations)

S Delahay _____
Executive Director (Resources)

26 June 2015



Amber Valley
Borough Council

Designed and Published by Amber Valley Borough Council





**AMBER VALLEY
BOROUGH COUNCIL**

S DELAHAY

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Dear Mrs Sunderland

Audit of Accounts 2014/15 - Letter of Management Representation

This representation letter is provided in connection with your audit of the financial statements of Amber Valley Borough Council (the Authority) for the year ended 31 March 2015, for the purpose of expressing an opinion:

1. As to whether these financial statements give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and
2. Whether the financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

These financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement and the Collection Fund and the related notes.

The Authority confirms that the representations it makes are in accordance with the definitions set out in the Appendix to this letter.

The Authority confirms that, to the best of its knowledge and belief, having made such inquiries as it considered necessary for the purpose of appropriately informing itself:

Financial Statements

1. The Authority has fulfilled its responsibilities, as set out in regulation 8 of the Accounts and Audit (England) Regulations 2011, for the preparation of financial statements that:
 - Give a true and fair view of the financial position of the Authority as at 31 March 2015 and of the Authority's expenditure and income for the year then ended; and
 - Have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.
 - The financial statements have been prepared on a going concern basis.



2. Measurement methods and significant assumptions used by the Authority in making accounting estimates, including those measured at fair value, are reasonable.
3. All events subsequent to the date of the financial statements and for which IAS 10 *Events after the reporting period* requires adjustment or disclosure have been adjusted or disclosed.

Information provided

4. The Authority has provided you with:
 - Access to all information of which it is aware, that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - Additional information that you have requested from the Authority for the purpose of the audit; and
 - Unrestricted access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
5. All transactions have been recorded in the accounting records and are reflected in the financial statements.
6. The Authority confirms the following:
 - i) The Authority has disclosed to you the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud. Included in the Appendix to this letter are the definitions of fraud, including misstatements arising from fraudulent financial reporting and from misappropriation of assets.
 - ii) The Authority has disclosed to you all information in relation to:
 - (a) There have been no instances of fraud or suspected fraud that it is aware of and that affects the Authority and involves:
 - Management
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements; and
 - (b) There have been no allegations of fraud or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

In respect of the above, the Authority acknowledges its responsibility for such internal control as it determines necessary for the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In particular, the Authority acknowledges its responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

7. The Authority has disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.

8. The Authority has disclosed to you and has appropriately accounted for and/or disclosed in the financial statements in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.
9. The Authority has disclosed to you the identity of the Authority's related parties and all related party relationships and transactions of which it is aware and all related party relationships and transactions have been appropriately accounted for and disclosed in accordance with IAS 24 *Related Party Disclosures*.
10. The Authority confirms that:
 - a) The financial statements disclose all of the key risk factors, assumptions made and uncertainties surrounding the Authority's ability to continue as a going concern as required to provide a true and fair view.
 - b) Any uncertainties disclosed are not considered to be material and therefore do not cast significant doubt on the ability of the Authority to continue as a going concern.
11. On the basis of the process established by the Authority and having made appropriate enquiries, the Authority is satisfied that the actuarial assumptions underlying the valuation of defined benefit obligations are consistent with its knowledge of the business and are in accordance with the requirements of IAS 19 (revised) *Employee Benefits*.
12. The Authority further confirms that:
 - (a) All significant retirement benefits, including any arrangements that:
 - Are statutory, contractual, or implicit in the employer's actions;
 - Arise in the UK and the Republic of Ireland or overseas;
 - Are funded or unfunded; and
 - Are approved or unapproved,Have been identified and properly accounted for, and
 - (b) All plan amendments, curtailments and settlements have been identified and properly accounted for.

This letter was tabled and agreed at the meeting of the Full Council on 16 September 2015.

Signed on behalf of Amber Valley Borough Council

Sylvia Delahay
Executive Director (Resources)
Chief Financial Officer

Julian Townsend
Executive Director (Operations)
Head of Paid Service

Councillor Trevor Ainsworth
Mayor of Amber Valley Borough Council and
Chairman of the Council Meeting
16 September 2015

Appendix A to the Representation Letter of Amber Valley Borough Council: Definitions

Financial Statements

A complete set of financial statements comprises:

- Comprehensive Income and Expenditure Statement for the period
- Balance Sheet as at the end of the period
- Movement in Reserves Statement for the period
- Cash Flow Statement for the period
- Notes, comprising a summary of significant accounting policies and other explanatory information.

A local authority is required to present group accounts in addition to its single entity accounts where required by chapter nine of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

A billing authority must present a Collection Fund Statement for the period showing amounts required by statute to be debited and credited to the Collection Fund

An entity may use titles for the statements other than those used in IAS 1. For example, an entity may use the title 'statement of comprehensive income' instead of 'statement of profit and loss and other comprehensive income'

Material Matters

Certain representations in this letter are described as being limited to matters that are material.

IAS 1.7 and IAS 8.5 state the following:

Material omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Fraud

Fraudulent financial reporting involves intentional misstatements including omissions of amounts or disclosures in financial statements to deceive financial statement users.

Misappropriation of assets involves the theft of an entity's assets. It is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Error

An error is an unintentional misstatement in financial statements, including the omission of an amount or a disclosure.

Prior period errors are omissions from, and misstatements in, the entity's financial statements for one or more prior periods arising from a failure to use, or misuse of, reliable information that:

- a) was available when financial statements for those periods were authorised for issue, and
- b) could reasonably be expected to have been obtained and taken into account in the preparation and presentation of those financial statements.

Such errors include the effects of mathematical mistakes, mistakes in applying accounting policies, oversights or misinterpretations of facts, and fraud.

Management

For the purposes of this letter, references to "management" should be read as "management and, where appropriate, those charged with governance".

Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to in IAS 24 *Related Party Disclosures* as the 'reporting entity').

Related parties include:

- a) A person or a close member of that person's family is related to a reporting entity if that person:
 - I. Has control or joint control over the reporting entity;
 - II. Has significant influence over the reporting entity; or
 - III. Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity
- b) An entity is related to a reporting entity if any of the following conditions applies:
 - I. The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - II. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of the other entity is a member)
 - III. Both entities are joint ventures of the same third party.
 - IV. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - V. The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - VI. The entity is controlled, or jointly controlled by a person identified in (a).

- VII. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Key management personnel in a local authority context are all chief officers (or equivalent), elected members, the chief executive of the authority and other persons having the authority and responsibility for planning, directing and controlling the activities of the authority, including the oversight of these activities.

A reporting entity is exempt from the disclosure requirements of IAS 24.18 in relation to related party transactions and outstanding balances, including commitments, with:

- a) A government that has control, joint control or significant influence over the reporting entity; and
- b) Another entity that is a related party because the same government has control, joint control or significant influence over both the reporting entity and the other entity.

Related party transaction

A transfer of resources, services or obligations between a reporting entity and a related party, regardless or whether a price is charged.