

## Related Party Disclosure Policy

### Policy Details

<b>Policy Category</b>	Council Policy
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<b>Endorsed by</b>	Chief Executive Officer
<b>Approval Authority</b>	Council
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<b>Policy Version Number</b>	2
<b>Policy Owner</b>	Director Corporate Services
<b>Contact Officer</b>	Justin Hancock
<b>Review Date</b>	2 years from date of adoption

### Supporting documentation

<b>Legislation</b>	<ul style="list-style-type: none"> <li>• <i>Crime and Corruption Act 2001</i></li> <li>• <i>Local Government Act 2009</i></li> <li>• <i>Local Government Regulation 2012</i></li> <li>• <i>Public Sector Ethics Act 1994</i></li> </ul>
<b>Policies</b>	<ul style="list-style-type: none"> <li>• Code of Conduct for Councillors</li> <li>• Code of Conduct for Employees</li> </ul>
<b>Delegations</b>	<ul style="list-style-type: none"> <li>• Nil</li> </ul>
<b>Forms</b>	<ul style="list-style-type: none"> <li>• Key Management Personnel Declaration</li> </ul>
<b>Supporting Documents</b>	<ul style="list-style-type: none"> <li>• Australian Accounting Standards</li> </ul>

### Version History:

Version	Adopted	Comment	eDRMS #
1	21/07/2016	Council Resolution 0716/010	
2	15/01/2020	Council Resolution 0120/021	

## Contents

<b>INTENT .....</b>	<b>3</b>
<b>SCOPE.....</b>	<b>3</b>
<b>POLICY STATEMENT.....</b>	<b>3</b>
<b>GOVERNMENT RELATED ENTITIES .....</b>	<b>3</b>
<b>KEY MANAGEMENT PERSONNEL .....</b>	<b>4</b>
<b>CLOSE FAMILY MEMBERS OF KMP.....</b>	<b>4</b>
<b>ENTITIES THAT ARE CONTROLLED OR JOINTLY CONTROLLED BY A KMP OR THEIR CLOSE FAMILY MEMBERS .....</b>	<b>4</b>
<b>REVIEW .....</b>	<b>4</b>
<b>IDENTIFYING ORDINARY CUSTOMER TRANSACTIONS (OCTS).....</b>	<b>5</b>
<b>RELATED PARTY REGISTER.....</b>	<b>5</b>
<b>DISCLOSING RELATED PARTY TRANSACTIONS .....</b>	<b>5</b>
<b>DEFINITIONS.....</b>	<b>6</b>

## Intent

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To provide a framework for governing related-party transactions, reporting related-party transactions, balances and commitments to achieve the level of disclosures required by the Australian Accounting Standard AASB 124 Related-party disclosures.

## Scope

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This Policy will apply to all Councillors, Key Management Personnel and their Related Parties.

## Policy Statement

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Under the provisions of the *Local Government Act 2009* and the *Local Government Regulation 2012*, Council must produce annual financial statements that comply with Australian Accounting Standards.

From 1 July 2016, the Australian Accounting Standards Board (AASB) has determined that AASB 124 – Related Party Disclosures, will apply to government entities, including local governments. Related parties include government-related entities, key management personnel (KMP), their close family members and any entities that they control or jointly control.

In accordance with paragraph 14 of AASB 124, to enable users of financial statements to form a view about the effects of related party relationships on an entity it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties. Any transactions with these parties, whether monetary or a non-financial benefit, need to be identified for inclusion in Council's annual financial statements.

This policy seeks to reduce the risk that Council's transactions may be influenced by the interests of parties related to the transaction. This occurs where the parties are in a position to influence the decision of whether a benefit is provided to them and the terms of the provision of that benefit.

It is therefore important that Key Management Personnel act honestly and with reasonable care and diligence whilst avoiding improper use of their position and information. It is equally important that Key Management Personnel of the Council are subject to a high level of accountability, including appropriate disclosure of their transactions with the Council in the annual financial statements.

## Government Related Entities

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In accordance with, AASB 10, AASB11 and AASB 128, Council will need to determine if there are any entities that are controlled by Council, jointly controlled by Council or over which Council has significant influence.

Any transactions with these parties, whether monetary or a non-financial benefit, need to be identified for inclusion in Council's annual financial statements.

Under paragraph 25 of AASB 124, Council is exempt from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with government entities that have control, joint control or significant influence over Council.

## Key Management Personnel

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Council has determined in accordance with AASB 124, that the following positions meet the definition of KMP:

- Mayor, Deputy Mayor and Councillors
- Chief Executive Officer (CEO)
- A senior executive employee (defined by s196(6) of the *Local Government Act 2009*)
- Any person acting in one of the above roles for a period in excess of one month (that is not already identified as a KMP)

KMP are to provide an annual Related Party Declaration identifying:

- their close family members; and
- entities that they control or jointly control; and
- entities that their close family members control or jointly control.

Related parties of KMP will be determined by Council's Related Party Register.

## Close Family Members of KMP

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The following will be considered as close family members of KMP:

- Spouse/domestic partner of the Mayor, Councillors and the CEO
- Children and dependents of the Mayor, Councillors and the CEO
- Children and dependents of a spouse/domestic partner of the Mayor, Councillors and the CEO
- Children and dependents of a senior executive employee
- Spouse/domestic partner of a senior executive employee
- Children and dependents of a spouse/domestic partner of a senior executive employee
- Other Family Members of a KMP that may be expected to influence, or be influenced by, that person in their dealings with Council.

Close family members will be identified in the Related Party Declaration made by a KMP.

## Entities that are Controlled or Jointly Controlled by a KMP or Their Close Family Members

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Entities include companies, trusts, joint ventures, partnerships and non-profit associations. Key management personnel will identify all entities through the Related Party Declaration form.

## Review

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A review of all related parties (KMP, close family members and related entities) will be conducted annually, or in the event of one or more of the following triggers:

- a) Change of Councillor/s (including Mayor and Deputy Mayor) or CEO;
- b) Change in Senior Executive Employees;

- c) Corporate restructure;
- d) Change in family structure of KMP.

## **Identifying Ordinary Customer Transactions (OCTs)**

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Council has determined that the following transactions constitute an OCT and are therefore not material for disclosure. All other transactions above Council's external audit materiality limit will be disclosed.

- a) Paying Council fees, rates or charges
- b) Attending Council functions that are open to the public
- c) Payment for goods or services from Council at rates published in Council's Register of Fees and Charges.

In the event that the transaction was to occur on terms and conditions that are different to those offered to the general public, then the transaction may become material.

## **Related Party Register**

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Related Party Transactions will be collated in a Related Party Register for audit and reporting purposes.

## **Disclosing Related Party Transactions**

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Council will disclose KMP compensation in accordance with the requirements of paragraph 17 of AASB 124.

In accordance with paragraph 18 of AASB 124 Council is also required to disclose information about transactions that have occurred between Council and its related parties, including transactions between Council and its KMPs, that is necessary for users to understand the potential effect of the relationship on the financial statements.

Once the related party transactions have been identified they will be analysed by the Director Corporate Services and the Manager Finance & Administration. Where transactions are found to be of material or significant nature, they will be disclosed in the financial statements.

The following matters must be considered in determining the materiality and significance of any related party transactions:

- Significance of transaction in terms of quantum
- Whether the transaction was carried out on non-market terms
- Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets
- Whether the transaction is disclosed to regulatory or supervisory authorities
- Whether the transaction has been reported to senior management
- Whether the transaction was subject to Council approval.

All material and significant related party transactions will be disclosed in the annual financial statements and include the following detail, where relevant:

- i. The nature of the related party relationship; and
- ii. Relevant information about the transactions including:
  - a. The amount of the transaction;

- b. The amount of outstanding balances, including commitments, and:
- iii. Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
- iv. Details of any guarantee given or received;
  - a. Provision for doubtful debts related to the amount of outstanding balances; and
  - b. The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Transactions or balances that occur within an ordinary citizen transaction shall be excluded from the detailed disclosures. An exception to this would be if the terms and conditions differ from those offered to the general public the transaction may be material therefore a disclosure would be required.

Below are some practical examples of transactions, which may be considered to be disclosed:

- A KMP of Carpentaria Shire Council is the Director of a company, which provided services to Carpentaria Shire Council during the relevant period.
- A KMP of Carpentaria Shire Council is a Director of an entity, which Carpentaria Shire Council paid a membership fee to for the relevant period.

## Definitions

TERM	DEFINITION
<b>Arm's Length Transaction</b>	Is a transaction in which all parties act freely and independently and have no relationship to each other.
<b>Close Family Member of Key Management Personnel (KMP)</b>	Is a family member who may be expected to influence, or be influenced by, that person in their dealings with Council.
<b>Control</b>	Is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
<b>Entity</b>	Can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.
<b>Key Management Personnel (KMP)</b>	Is defined in the Local Government Regulation 2012 to include Councillors, the Chief Executive Officer and Senior Executive Employees. It is further defined in AASB 124 – Related Party Disclosures as “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity”. For the purpose of this policy, key management personnel will be aligned with the definition within the Local Government Regulation 2012.
<b>Key Management Personnel (KMP) Compensation</b>	Includes all forms of consideration paid, payable or provided by Council in exchange for services provided.
<b>Materiality</b>	Means the assessment of whether by omitting it or misstating the transaction (either individually or in aggregate with other transactions) it

TERM	DEFINITION
	could influence decisions that users make on the entity's financial statements. For the purpose of this policy it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.
<b>Non-financial Benefit</b>	A benefit received that is non-monetary or contains a component that is non-monetary.
<b>Ordinary Citizen Transactions (OCTs)</b>	Are transactions that an ordinary citizen would undertake with Council, that do not need to be captured and reported for disclosure.
<b>Related Party</b>	Is an affiliate; an employee; members of the immediate family of an employee; and persons having a controlling influence on controlled entities.
<b>Related Party Transactions</b>	Is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
<b>Significant Influence</b>	Is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Adopted, by Council 15 January 2020 by Resolution 0120/021



**Mark Crawley**  
Chief Executive Officer