



COUNCIL POLICY

Related Party Disclosure Policy		Policy No:	DFA.16.001
		Adopted by Council:	20 December 2016
		Review Date:	July 2017
Responsible Director:	Director Finance and Administration		
Responsible Officer:	Director Finance and Administration		
Functional Area:	Finance and Administration		

1.0 PURPOSE:

The Related Party Disclosure Policy aims to assist Council in complying with disclosure requirements concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them stipulated under the Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities (AASB 124).

2.0 DEFINITIONS

"AASB 124" - means the Australian Accounting Standards Board, Related Party Disclosures Standard.

"Act" - means the Local Government Act 1993.

"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 Council and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

"Entity" - can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

"Key management personnel" - as defined in Section 6 of this Policy.

"KMP Compensation" - means all forms of consideration paid, payable, or provided in exchange for services provided, and may include:

- *Short-term employee benefits*, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and

- non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees;
- *Post-employment benefits* such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- *Other long-term employee benefits*, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation;
- *Termination benefits*.

"Material" (materiality) - means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an 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.

"Ordinary Citizen Transaction" - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

"Possible (Possibly) Close members of the family of a person" - are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- a. that person's brothers' and sisters';
- b. aunts', uncles', and cousins' of that person's spouse or domestic partner;
- c. dependants of those persons' or that person's spouse or domestic partner as stated in (b); and
- d. that person's or that person's spouse or domestic partners', parents' and grandparents'.

"Related Party" - defined in Section 7 of this Policy.

"Related Party Transaction" - is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.

"Regulation" – means the Local Government (General) Regulation 2005.

"Remuneration" – means remuneration package and includes any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction.

"Significant" (significance) - means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.

3.0 RELATED DOCUMENTS

- AASB 124 Related Party Disclosures
- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 128 Investments in Associates and Joint Ventures
- Staff and Councillors – Code of Meeting Practice
- Declarations of Interest
- Councillors Expenses and Provision of Facilities for Councillors

4.0 BACKGROUND/LEGISLATIVE REQUIREMENTS

The Australian Accounting Standards Board (AASB) determined in AASB 124 that from 1 July 2016 related party disclosures will apply to government entities, including local governments (Councils).

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

- disclosure of any related party relationship - must disclose in its Annual Financial Statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period;
- Key Management Personnel (KMP) Compensation Disclosures - must disclose in its Annual Financial Statements details for each of the categories of KMP compensation, as stated in the definitions of this Policy, in total.

5.0 POLICY, PROTOCOL OR PROCEDURE STATEMENT

Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

Related Party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.

A Related Party relationship could influence the normal business operations of Council even if Related Party Transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another—for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessments of Council's operations.

AASB 124 provides that Council must disclose all material and significant Related Party Transactions and outstanding balances; including commitments, in its Annual Financial Statements. Generally, disclosure will only be made where a transaction has occurred between council and a related party of council. In addition the transaction must be material in nature or size, when considered individually or collectively.

When assessing whether such transactions are significant the following factors will be taken into consideration:

- significance in terms of size;
- was it carried out on non-market terms;
- is it outside normal day-to-day council operations;
- was it subject to council approval;
- did it provide a financial benefit not available to the general public;
- was the transaction likely to influence decisions of users of the Annual Financial Statements.

Regard must also be given for transactions that are collectively, but not individually significant.

To enable Council to comply with AASB 124 Council's KMP, as defined in Section 5 of this Policy, are required to declare full details of any Related Parties and Related Party Transactions. Such information will be retained and reported, where necessary, in Council's Annual Financial Statements.

6.0 KEY MANAGEMENT PERSONNEL (KMP)

AASB 124 defines KMP's as "those persons having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of the entity."

For Council purposes KMP include:

- the Mayor,
- Councillors,
- the General Manager; and
- Directors; and

7.0 RELATED PARTIES

For the purposes of this policy, related parties of Council are:

- entities related to Council;
- KMP of Council;
- close family members of KMP;
- possible close family members of KMP's; and
- entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

Also a person or entity is a related party of Council if any of the following apply:

- they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- they are an associate or belong to a joint venture of which Council is part of;
- they and Council are joint ventures of the same third party;
- they are part of a joint venture of a third party and council is an associate of the third party;
- they are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
- they are controlled or jointly controlled by Close members of the family of a person;
- they are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council; or
- they or any member of a group of which they are a part, provide KMP services to Council.

8.0 RELATED PARTY TRANSACTIONS

Related Party Transactions are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

- purchase or sale of goods (finished or unfinished);
- purchase or sale of property and other assets;
- rendering or receiving services;
- leases;
- transfers of research and development;
- transfers under licence agreements;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- provision of guarantees or collateral;
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised);
- quotations and/or tenders;
- commitments; and
- settlements of liabilities on behalf of Council or by Council on behalf of the related party.

9.0 DISCLOSER

AASB 124 provides that Council must disclose all material and significant Related Party Transactions in its Annual financial statements by aggregate or general description and include the following detail:

- the nature of the related party relationship; and
- relevant information about the transactions including:
 - the amount of the transaction;
 - the amount of outstanding balances, including commitments, and
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
 - details of any guarantee given or received; o provision for doubtful debts related to the amount of outstanding balances; and
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties.

All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions, and to determine the significance of each of the transactions.

Generally, transactions with amounts receivable from and payable to KMP or their related parties which:

- occur within normal employee, customer or supplier relationships and at arm's length; and
- are not material or significant;

shall be excluded from detailed disclosures, they will be disclosed in the financial statements by general description. Disclosures that Related Party Transactions were made on terms equivalent to an arm's length transaction can only be made if such terms can be substantiated.

AASB requirements in this regard are available at Attachment A.

10.0 PROCEDURES

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

The preferred method of reporting is for KMP to provide details of Related Parties and Related Party Transactions, utilising the Reporting Templates as provided, to the Director Finance and Administration.

Information provided will be reviewed in accordance with the Councils operational requirements and held on a centralised register held within the Finance and Administration Directorate.

Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction they should contact the Director Finance and Administration for clarification.

11.0 PRIVACY

Information provided by KMP and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance or legal reasons only.

12.0 REVIEW

A review of KMP's and their related parties will be completed on adoption of this policy and then at intervals not exceeding six months.

This policy will also be reviewed when any of the following occur:

- a change of Councillors, Chief Executive Officer or other KMP;
- corporate restructure;
- the related legislation/documents are amended or replaced;
- other circumstances as determined from time to time by a resolution of Council; and
- as a result of changes to the OLG Local Government Code of Accounting Practice and Financial Reporting.

13.0 TRAINING AND COMMUNICATIONS

This policy will be provided to KMP in the initial awareness raising and data collection and as part of Councillor inductions. It will also be regularly communicated to KMP at a six monthly review. Internal training on supporting this policy shall be scheduled as required.

14.0 ATTACHMENTS

Attachment A – AASB 124 Reporting Requirements

ATTACHMENT A REPORTING REQUIREMENTS

Reference	Requirement
AASB 124.17	<p>The entity discloses key management personnel compensation in total and for each of the following categories:</p> <ol style="list-style-type: none"> a. short-term employee benefits; b. post-employment benefits; c. other long-term benefits; and d. termination benefits; <p>Key management personnel (KMP) are not named – disclosure on an aggregate basis only.</p> <p>Short-term employee benefits include non-monetary benefits.</p>
AASB 124.18	<p>If there have been transactions between related parties, the entity discloses the nature of the relationship with the related party, as well as sufficient information about the transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.</p> <p>Types of Transactions:</p> <ol style="list-style-type: none"> (a) purchases or sales of goods (finished or unfinished); (b) purchases or sales of property and other assets; (c) rendering or receiving of services; (d) leases; (e) transfers of research and development; (f) transfers under licence agreements; (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind); (h) provision of guarantees or collateral; (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and (j) settlement of liabilities on behalf of the related party. <p>The following information, at a minimum, is disclosed:</p> <ol style="list-style-type: none"> a. the amount of the transactions; b. the amount of outstanding balances, including commitments, and terms and conditions (i.e. secured or unsecured) and the nature of consideration to be provided in settlement; and details of guarantees given or received; c. provisions for doubtful debts related to the amount of outstanding balances; and d. the expense recognised during the period relating to bad or doubtful debts due from related parties.
AASB 124.19	<p>The entity separately discloses all the information required by Paragraph 18 at the following levels:</p> <ol style="list-style-type: none"> a. subsidiaries; b. associates; c. joint ventures in which the entity is a joint venturer; d. key management personnel of the entity or its parent; and e. other related parties
AASB 124.24	<p>The entity discloses items of a similar nature in aggregate, except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.</p>

15.0 Review History

Date	Review Details	Action
November 2016	Draft policy prepared for Council adoption	Included in Council Business papers for December meeting
20 December 2016	Presented to Council	Adopted by Council Minute Nos 07.12.16