

POLICY FIN006

RELATED PARTY DISCLOSURES POLICY



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1 Policy Outcomes Statement

This Policy is to ensure that the existence of certain related party relationships, related party transactions and information about such transactions, necessary for the user to understand the potential effects on the Financial Statements of Council are properly identified, recorded and disclosed in Council's General Purpose Financial Statements in compliance with *Australian Accounting Standards Board AASB124 Related Party Disclosures July 2015 (AASB124)*, *the Privacy and Personal Information Act 1998 (PPIPA)* and *the Government Information Public Access Act 2009 (GIPA)*.

2 Overview

This policy is to assist Council to meet the disclosure requirements of *AASB124* by identifying related party relationships and transactions and establish systems to capture and record these transactions and then to identify the circumstances in which disclosure is required.

3 Applicability

This policy applies to those who have authority and responsibility for planning, directing and controlling the activities of Council and entities controlled by Council, including elected Councillors, the General Manager, Directors, and close family members who can be expected to influence or be influenced by the aforementioned key management personnel.

4 Principles

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 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.

5 Policy

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.

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

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; and
- 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 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.

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.

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 and any change to their circumstance which may require disclosure or alter their previous disclosure to Council.

The preferred method of reporting details of Related Parties and Related Party Transactions, is by completing the Related Party Transactions and Disclosures Questionnaire, and delivering it to the Director Finance & Corporate Services.

KMPs must complete the Related Party Transactions and Disclosures Questionnaire, notifying any existing or potential Related Party Relationships between Council and any related parties of the KMP, by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this Policy
- 30 days after a KMP commences their term or employment with Council

During the financial year, a KMP must proactively notify of any new or potential Related Party Relationships that the person knows of, or any changes to previously notified Related Party Relationships to the General Manager by no later than 30 days after the person knows of the transaction or change.

Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction they should contact the General Manager or Director of Finance and Corporate Services.

Information provided will be reviewed in accordance with the Councils operational requirements and held on Councils Record Management System (HPE Content Manager 9).

Collection, storage, use and disclosure of information collected from Related Parties is governed by the Privacy & Personal Information Protection Act 1998 and the Government Information (Public Access) Act 2009. 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.

A review of KMP's and their related parties will be completed at intervals not exceeding twelve months. This policy will also be reviewed when any of the following occur:-

- a change of Councillors, General Manager or other KMP;
- a change of 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.

This Policy will be provided to KMP in the initial awareness raising and data collection and as part of KMP inductions including Councillor inductions. It will also be regularly communicated to KMP at a twelve monthly review.

Definitions

Related Parties

Identification of Key Management Personnel (KMP)

KMP for Bogan Shire Council are considered to include:-

- the Mayor,
- Councillors,
- the General Manager,
- all Directors,
- the Manager Road Works,
- the Manager Works and Services,
- the Manager Education and Community Services,
- the Health and Building Surveyor,
- staff whom from time to time will act in any of the above mentioned positions

Identification of Related Parties

A person or entity is considered a related party of Council if any of the following conditions apply:-

- a) They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- b) They are an associate or belong to a joint venture of which Council is part of
- c) They and Council are joint ventures of the same third party
- d) They are part of a joint venture of a third party and council is an associate of the third party

- e) They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.
- f) They are controlled or jointly controlled by close or possibly close members 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.
- g) 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.
- h) They, or any member of a group which they are a part, provide KMP services to Council.

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

- a) Entities related to Council;
- b) KMP of Council;
- c) Close family members of KMP;
- d) Possible close family members of KMP; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

Please see Appendix 1 for examples of common related parties of council.

KMP's will identify all entities that are controlled or jointly controlled by close family members through the self-assessment process. Should uncertainties or any other contentious issues arise during this process the KMP's are responsible for discussing this with Councils Director of Finance and Corporate Services who can consult Councils external auditor for clarification if necessary.

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:-

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants of that person or that person's spouse or domestic partner.

For the purposes of AASB 124, close family members may include extended members of the family (such as, without limitation, parents, siblings, grandparents, uncles, aunts or cousins) if they could be expected to influence, or be influenced, by the KMP in their dealings with Council.

The following table may assist in identifying close family members.

Definitely a close family member	May be a close family member
Your spouse/domestic partner	Your brothers and sisters , if they could be expected to influence or be influenced by you in their dealings with council
Your children	Your aunts , uncles and cousins, if they could be expected to influence or be influenced by you in their dealings with council
Your dependants	Your parents and grandparents , if they could be expected to influence or be influenced by you in their dealings with council
Children of your spouse/domestic partner	Your nieces and nephews , if they could be expected to influence or be influenced by you in their dealings with council

Transactions

Materiality of Transactions

AASB 124 grants Council discretion to use their judgement when determining the level of detail to be disclosed in the financial statements. It should be noted that Materiality is not simply determined by the value of a transaction, many other factors are considered. As well as considering the closeness of the related party relationship other factors to be considered, when assessing related party transactions, are;

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day business operations, such as the purchase and sale of businesses;
- disclosed to regulatory or supervisory authorities;
- reported to senior management;
- subject to shareholder approval.

Ordinary Citizen Transactions

Ordinary citizen transactions are those transactions that are made on an arm's length basis between Council and related parties that an ordinary citizen of the community would transact with the Council.

Examples of these are rates payments for properties owned by the related party and dog registration payments.

Council will identify all transactions between Council and related parties. Any that are deemed to be ordinary citizen transactions will not typically be required to be disclosed in the annual financial report.

Transactions between Council and related parties that would normally be considered to be ordinary citizen transactions but where the terms and conditions differ from normal practice will not be considered to be an ordinary citizen transaction for the purposes of this policy. These will be disclosed in Council's annual financial statements in the related party disclosure.

Please note that KMP's are still required to notify the Director Finance and Corporate Services of these transactions via the process outlined below and the determination of whether or not disclosure is required is vested with this officer. Should uncertainties or any other contentious issues arise during this process the KMP's are responsible for discussing this with Councils Director Finance and Corporate Services who can consult Councils external auditor for clarification if necessary.

Identification of all Related Party Transactions

All related party transactions will be captured to allow a full assessment of transactions that are to be included in the related party disclosure per the disclosure requirements contained in AASB 124.

This will also allow Council's external auditors to perform a full analysis of the entire process that results in the related party transaction disclosure.

All KMP will be required to complete and submit a Related Party Transaction Declaration (Appendix 3) to the Director Finance and Corporate Services, a notification advising of any known related party transactions that have occurred in the past 12 month period and any related party transactions that have the potential of occurring in the next 12 month period. A Nil notification will be required to be submitted if no transactions are required to be reported. This notification will be due by 31 July covering the preceding financial year period.

To ensure all related party transactions are captured and recorded, the Director Finance and Corporate Services is responsible for reviewing, if required, other sources of information held by Council including, without limitation:

- a) a register of related parties of a KMP and of persons related to the KMP;
- b) Council's pecuniary interest returns;
- c) minutes of Council and committee meetings;
- d) Council's Contracts' Register.

Councils Director Finance and Corporate Services will maintain a register of all declared and independently identified related party transactions.

