



<b>Policy Name</b>	<b>Related Party Disclosure</b>
Policy Number	CS34
Responsible Section	Finance
Responsible Department	Corporate Services
Date Last Adopted	14 November 2023
Date of Next Review	November 2026
Applicable Legislation	Local Government Act 1999 Australian Accounting Standards – AASB124 Related Party Disclosures
Related Governance Documents	Privacy Collection Notice Related Party Disclosures by Key Management Personnel Code of Conduct - Staff Code of Conduct – Elected Members
City Plan Theme	Leadership

## **1. PURPOSE/OBJECTIVE**

The objective of the Policy is to ensure that “*related party transactions*” as provided for in Australian Accounting Standard AASB 124 - Related Party Disclosures (“AASB 124”) are properly identified and disclosed in the Council’s Annual Financial Statements.

This Policy provides guidance in complying with the *Local Government Act 1999* and the associated *Local Government (Financial Management) Regulations 2011* which, collectively, require the Council to prepare its Annual Financial Statements in compliance with Australian Accounting Standards and the Model Financial Statements.

## **2. SCOPE**

This policy applies to related party transactions which occur between Council and related parties, including: Key Management Personnel (KMP), close family members of KMP and related Entities controlled or jointly controlled by Council or any of these parties, as stipulated under the Australian Accounting Standard AASB 124 – Related Party Disclosures.

### 3. POLICY

A “*related party*” is a person or entity that is related to the Council. A person or “*close members of the family of a person*” are related to the Council if that person:

- has control or joint control over the Council;
- has significant influence over the Council; or
- is a member of the key management personnel (“KMP”) of the Council.

AASB 124 defines KMP as those persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Accordingly, KMP hold positions of responsibility within the Council where decisions about the purchase and/or use of resources may have a material effect on the financial and non- financial management of the Council. It is, therefore, important that KMP act honestly and with reasonable care and diligence whilst avoiding improper use of their position and information. It is equally important that KMP are subject to a high level of accountability, including appropriate disclosure of their transactions with the council in the financial statements.

KMP are a related party to the Council for the purposes of AASB 124 and in addition to disclosing “*compensation*” are required to disclose “*related party transactions*” by means of an annual disclosure to the Council.

This Policy shall be applied by KMP, the Council and its Auditors in:

- a) identifying related parties and related party transactions;
- b) identifying outstanding balances between Council and related parties;
- c) identifying the circumstances in which disclosure of the items at (a) and (b) above are required; and
- d) determining the disclosures to be made about the items in (a) and (b) above.

#### 3.1. Disclosure requirements

Under AASB 124, the Council is required to disclose in its Annual Financial Statements compensation to KMP in total and for each of the following categories:

- a) short term employee benefits;
- b) post-employment benefits;
- c) other long term benefits; and
- d) termination benefits.

If the Council has had related party transactions during the relevant period covered by the Annual Financial Statements, it is required to disclose in those financial statements the nature of the related party relationship as well as information about those transaction(s) (monetary and non-monetary), and outstanding balances, including commitments. At a minimum, disclosures shall include:

- a) the value of the transaction(s);
- b) the value of outstanding balance(s) and their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlements;
- c) details of any guarantees given or received;
- d) provisions for doubtful debts related to the amount of outstanding balances; and
- e) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Disclosures made as above shall be made separately for the following categories:

- a) subsidiaries;
- b) associates;
- c) joint ventures in which Council is a joint venturer;
- d) KMP; and
- e) other related parties.

### **3.2. Excluded from disclosure**

Council shall exclude from disclosure those transactions with related parties of the Council that:

- a) occur within a normal employee, customer or supplier relationship at arm's length;
- b) occur under normal terms and conditions;
- c) are trivial in nature; or
- d) are individually or collectively immaterial.

Such transactions and amounts receivable or payable shall be disclosed in the financial statements by aggregate or general description.

The "*arm's length*" principle is the condition or fact that the parties to a transaction are independent and on equal footing.

"*Materiality*" takes its meaning as defined in AASB 101 Presentation of Financial Statements.

Assessing materiality requires judgment and shall be done in consultation with Council's Auditor.

### **3.3. Ordinary Citizen Transactions (OCT)**

Transactions with related parties of the Council which are of a nature that any ordinary citizen would undertake will be captured, but **will not** be reported. However, if an OCT occurs on terms and conditions that are different to those offered to the general public, transactions will be captured and reported in the financial statements.

### **3.4. Identification of Related Parties**

The Finance team will identify transactions with Council subsidiaries, associates and joint ventures. The Finance team will also identify and include elected member allowances as a “standing disclosure” which will avoid the need for elected members to individually disclose such details.

The Finance team is responsible for maintaining all information provided with respect to related parties and related party transactions. The Finance team will review the information in a timely manner so as to allow sufficient time to incorporate the details in the annual financial statements.

### **3.5. Giving Notice of a Related Party Transaction**

KMP are only required to make a disclosure when there has been a related party transaction in the relevant reporting period.

In those circumstances, the KMP must provide a related party disclosure in the “*Related Party Disclosure by Key Management Personnel*” form which will be provided by the Finance team, together with instructions for assistance in completing the form.

The KMP will advise of the nature of the related party relationship (if any) and the related party transaction.

These notification requirements are different from and in addition to:

- a) the notifications a Prescribed Officer must make for the purposes of Council maintaining a Register of Interests in accordance sections 112 to 115 of the *Local Government Act 1999*; and
- b) the notifications an elected member must make for the purposes of Council maintaining the Register of Interests in accordance with sections 64 to 67 of the *Local Government Act 1999*.

### **3.6. Exclusions**

The notification requirements in Section 1 of this Policy do not apply to:

- a) related party transactions, that are ordinary citizen transactions, not assessed as being material;
- b) related party transactions that are assessed by the Finance team as being immaterial; and
- c) the costs associated with the formal training courses, attendance at seminars and conferences and other development initiatives provided for in Council’s *Elected Members’ Conferences, Seminars, Training and Development Policy*.

### **3.7. Privacy and Freedom of Information**

The information received and researched by the Finance team is classified as confidential and is not available for inspection or disclosure to the public, unless otherwise required to make available by an oversight body or under applicable legislation.

The following persons are permitted to access and assess the information for the purposes of compiling Council's financial statements:

- a) Chief Executive Officer
- b) Director Corporate Services
- c) Finance staff
- d) Manager Strategy & Performance
- e) Council's Auditor
- f) Other officers as delegated by the Chief Executive Officer

## **4. RESPONSIBILITIES**

- Council is responsible for the adoption and repeal of the Policy.
- Key Management Personnel are responsible for ensuring they understand and comply with this policy and the requirements under AASB 124.
- The Finance Manager is responsible to monitor the adequacy of this policy and recommend appropriate changes. A full review of the policy will be conducted within a three-year period.

## **5. DEFINITIONS**

### **Arm's Length**

Terms between parties that are reasonable in the circumstances of the transaction that would result from neither party bearing the other party any special obligation and the parties being unrelated and uninfluenced by the other.

### **Close members of the family of a person**

In relation to a KMP, are those family members who may be expected to influence, or be influenced by that KMP in their dealings with 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 purpose of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, caregivers, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with the Council.

## **Control**

Control of an entity is present when there is:

- (a) power over the entity; and
- (b) exposure or rights to variable returns from involvement with the entity; and
- (c) the ability to use power over the entity to affect the amount of returns received.

## **Joint control**

The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

## **Joint venture**

An arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.

## **KMP (Key Management Personnel)**

People in the following roles have authority and responsibility for planning, directing and controlling the activities of Council and will be defined as KMP of the Council for the purposes of AASB 124:

- (a) Mayor;
- (b) Councillors;
- (c) Chief Executive Officer;
- (d) Directors;
- (e) Members of Council's Senior Management Team.

## **Related party transaction**

Is a transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged. Examples of related party transactions are:

- (a) purchases or sales of goods;
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) rendering or receiving of goods;
- (e) leases;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (example: loans);
- (h) provision of guarantees (given or received);
- (i) commitments to do something if a particular event occurs or does not occur in the future; and
- (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.