

Policy Title: RELATED PARTIES DISCLOSURE

Policy Subject: Governance

Policy No: 3131380 v6 – CP030

Directorate: Organisational Services

Department: Financial Services

Section: Financial Planning & Reporting

Responsible Officer: Executive Manager Financial Services

Authorised by: Director Organisational Services

Adopted Date: 15/06/2016

Review Date: 26/06/2021

Amended Date: 26/06/2019

Risk Assessment: Medium

OBJECTIVE:

The objective of the Related Parties Disclosure Policy is to provide a framework to enable Council to comply with the requirements of Australian Accounting Standard *AASB 124 Related Parties Disclosures*.

POLICY:**Who and what are related parties of Council?**

The most common related parties of Council will be:

1. Entities related to Council
2. Key Management Personnel (KMP) of Council
3. Close family members of KMP; and
4. Entities that are controlled or jointly controlled by KMP or their close family members.

Entities related to Council

Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council.

When assessing whether Council has control or joint control over an entity, consideration of *AASB 10 Consolidation*, *AASB 11 Joint Arrangements*, *AASB 128 Investments in Associates and Joint Ventures*, which details the criteria for determining whether Council has significant influence over an entity.

Entities related to Council include (but are not limited to):

- Fraser Coast Tourism and Events Ltd.
- Fraser Coast Residential Airpark Pty Ltd.

Key Management Personnel (KMP)

Key management personnel (KMP), close family members of each KMP and entities that are related to KMP or their close family members are deemed as related parties.

KMP are defined as persons having the authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly.

Council considers that Councillors, the Chief Executive Officer and Directors would be considered key management personnel (KMP).

Close family members of KMP

Close family members are defined as:

- family members who may be expected to influence, or be influenced by, that person in their dealings with the entity 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.

Entities that are controlled or jointly controlled by KMP or their close family members

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

Common Related Parties of councils

Likely to be a Related Party of Council
Councillors (including the Mayor)
Chief Executive Officer (CEO)
Senior Staff (Directors)
Children of the Mayor, Councillors, CEO and Senior Staff that are KMP
Spouse/Domestic Partners of the Mayor, Councillors, CEO and Senior Staff that are KMP
Dependents of the Mayor, Councillors, CEO and Senior Staff that are KMP
Dependents of a Spouse/Domestic Partner of the Mayor, Councillors, CEO and Senior Staff that are KMP
Entities that are controlled or jointly controlled by a KMP or their close family member
May be a Related Party of Council
Other family members of the Mayor, Councillors, CEO and Senior Staff that are KMP (if the family member may be expected to influence, or be influenced by, that person in their dealings with Council, then they are a related party)

Identification of Related Parties

Related parties include KMP, their close family members and any entities that they control or jointly control.

In order to meet the requirements of AASB 124, all KMP will be required to provide a six-monthly declaration identifying:

- Their close family members;
- Entities that they control or joint control or are associated with; and
- Entities that their close family members control or jointly control.
- The nature and types of transactions likely for the related parties

Where possible, Council's Finance Department and/or Governance section will assist the KMP in offering guidance as to whether an entity is deemed controlled or jointly controlled by the individuals or their close family members.

Note that this information will be audited as part of the annual external audit carried out by the Queensland Audit Office.

Changes in Related Parties

If a KMP becomes aware of changes to his/her related parties, Council's Internal Auditor should be informed as soon as possible, and an amendment made to, or a new declaration identifying the KMPs related parties should be provided.

As a matter of course, and as close as practicable to the end of each financial year to assist with disclosures in the financial statements and to further satisfy external audit requirements, each KMP will be requested to provide a signed declaration of any other information which may be relevant in identifying changes to their related parties that Council should be aware of, or if no changes have occurred since their most recent declaration.

Changes in KMP

Appointment of CEO or Director or Corporate Restructure

In the event of the appointment of a new Director or CEO, or where a corporate restructure triggers a change in KMP, the newly appointed personnel should provide a declaration identifying their related parties.

Local Government Elections

As soon as practicable following the declaration of a quadrennial local government election, all elected officials (both new and returning) should provide a declaration identifying their related parties.

Council officers relieving in the position of the CEO or Director

If an employee that has not already been identified as a KMP, during an absence of the CEO or a director, relieves in that position, for the purposes of this policy, they will be considered a KMP and as such, will be required to make a declaration identifying their own related parties. Only in the event of there being any transactions identified (that is material in nature and size) with a relieving officer's related party during the period of relief will the transaction be considered a "related party transaction" and subject to disclosure in the financial statements in accordance with AASB 124.

Recording of Related Parties information

Council will collate and record in a spreadsheet the details of KMP and their respective related parties (Related Parties Register), and any other information deemed relevant for external audit purposes. The Related Parties Register will be monitored and maintained by the Internal Auditor.

Confidentiality

As per Council's Code of Conduct, all information collected under this policy is to be used only for the purpose of complying with AASB 124 and will only be disclosed in the financial statements if it meets all of the criteria for disclosure.

Unauthorised release of any non-public Council information is a breach of Council policy and may be an offence at law. Employees are required to preserve the confidentiality of Council's information, as a legal obligation under the *Local Government Act 2009*

Disclosure of transactions in financial statements

To comply with AASB 124, disclosures in Council's financial statements would include:

1. Relationships between parent and subsidiaries (even if there are no transactions with them);
2. KMP remunerations in total, and categorised by short-term employee benefits, post-employment benefits (e.g. superannuation), other long-term benefits, and termination benefits;
3. Where there have been related party transactions, the nature of the related party relationship and information about the transactions including terms and conditions; and
4. Separate disclosure for each category of related party;
5. Types of transactions to be disclosed include:
 - a. Purchases or sales of goods
 - b. Purchases or sales of property and other assets
 - c. Rendering or receiving property and other assets
 - d. Rendering or receiving goods or services
 - e. Leases
 - f. Guarantees given or received
 - g. Commitments
 - h. Loans and settlements of liabilities
 - i. Expense recognised in respect of bad debts
 - j. Provision of doubtful debts relating to outstanding balances

Prior to the transactions being disclosed in the financial statements, the KMP will be provided a copy of the intended disclosures for information and comment.

Ordinary Citizen Transactions (OCTs)

Ordinary citizen transactions (OCTs) are those that an ordinary citizen would undertake with Council. Because of their nature, these transactions may not need to be reported.

Transactions that occur within a normal employee, customer or supplier relationship and at arm's length and which are trivial and domestic in nature would generally be considered OCTs.

Examples of OCTs	Examples of transactions that are not OCTs
Using the council's public swimming pool after paying the normal fee	Infrastructure charges that are not OCTs
Parking fees at rates available to the general public	Purchases of goods and/or services
Attending council functions that are open to the public	
Paying rates and utility charges	

OCTs are not material transactions because of their nature, Council will however identify them, and subject to consultation with external audit, exclude them from being recorded as a related party transaction. It should be noted that if the OCT were to occur on terms and conditions that differ to those offered to the general public, the transaction may become material.

Identifying and recording related party transactions

Council's corporate software system (Finance One) has the ability to "flag" suppliers or customers in its Accounts Payable and Accounts Receivable modules as related parties and report on the transactions with that supplier or customer.

Council's Financial Operations Coordinator is to be notified of any changes to the Related Parties Register so the related party supplier or customer details can be updated.

At the end of each financial year, a report will be run from Finance One that will list transactions between Council and the related parties for the preceding twelve months, this will form the basis of the audit workpaper for the related parties disclosure in the Council's financial statements.

Assess materiality of the related party transactions captured

Prior to preparing the disclosure of related party transactions, the transactions are to be assessed for materiality. Transactions that are not considered material do not need to be disclosed.

Assessing materiality requires judgement and will be carried out in consultation with external auditors, audit committee and Council's finance department. Council will need to consider both the size and nature of the transaction, individually and collectively.

Council will consider the following factors in determining materiality of transactions:

- Significance in terms of size
- Carried out on non-market terms
- Outside normal day-to-day council operations
- Subject to Council approval
- Provide a financial benefit not available to the general public
- Transaction likely to influence decisions of users of financial statements.

Non-monetary related party transactions

Council will develop a system to identify transactions that do not pass through Council's accounting system.

Any transactions with these parties (whether monetary or not), will need to be identified and may need to be disclosed in Council's financial statements in order to comply with AASB 124. Disclosure will only be made if a material transaction has occurred.

Authorities & Responsibilities

Council's Internal Auditor is responsible for ensuring that the related party information provided under this policy by identified KMPs is complete and relevant.

HEAD OF POWER:

Local Government Act 2009
Local Government Regulation 2012

RELATED LEGISLATION:

Australian Accounting Standard AASB 124 Related Parties Disclosures
AASB 10 Consolidation
AASB 11 Joint arrangements
AASB 128 Investments in Associates and Joint Ventures

RELATED DOCUMENTS (LOCAL LAWS, POLICIES, DELEGATIONS, ETC):

DOCS#3132166 Related Party Disclosure Fact Sheet
DOCS#3132167 Related Party Declaration

Amended: N/A