

<b>Title of Policy</b>	<b>SMRC 407 Related Party Disclosures</b>		
<b>Responsible Department</b>	Financial Services	<b>Document Register ID</b>	250.2017.407.1
<b>Policy Owner</b>	Manager Finance	<b>Review Date</b>	30/08/2020
<b>Date of Council Meeting</b>	Date Approved 30/08/2017	<b>Resolution Number</b>	Number 176/17
<b>Legislation, Australian Standards, Code of Practice</b>	Local Government Act 1993 Local Government (General) Regulation 2005 Privacy & Personal Information Protection Act 1998 Government Information (Public Access) Act 2009 Accounting Standard AASB 124 Local Government Code of Accounting Practice and Financial Reporting		
<b>Aim</b>	<p>The aim of this policy is to ensure that the existence of certain related party relationships and associated related party transactions, necessary for the users to understand the potential effects on the Financial Statements are properly identified. They should be recorded in Council's systems, and summarily disclosed in Council's General Purpose Financial Statements in compliance with <i>Australian Accounting Standards Boards AASB Related Party Disclosures July 2015 (AASB 124)</i>, the <i>Privacy and Personal Information Protection Act 1998 (PPIPA)</i> and the <i>Government Information (Public Access) Act 2009 (GIPA)</i></p> <p>Council, in complying with the disclosure requirements in AASB 124, will;</p> <ul style="list-style-type: none"> <li>• Identify related party relationships, related party transactions and ordinary citizen transactions;</li> <li>• Identify information about the related party transactions for disclosure;</li> <li>• Establish systems to capture and record the related party transactions and information about those transactions;</li> <li>• Identify the circumstances in which disclosure of the items in the first two points about are required and;</li> <li>• Determine the disclosures to be made about those items in the General Purpose Financial Statements for the purpose of complying with AASB 124.</li> </ul>		

## 1 Definitions

Word/Acronym/Phrase	Definition
Related Party	<p>Is a person or entity that is related to the entity that is preparing its Financial Statements (in this Policy referred to as the 'Council').</p> <p>A person or a close member of that person's family is related to the Council if that person:</p> <ol style="list-style-type: none"> <li>has control or joint control over the Council;</li> <li>has significant influence over the Council, or</li> <li>is a member of the Key Management Personnel of the Council or of a parent of the Council.</li> </ol>
Related party transaction	Is the transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.
Close members of the family of a person	<p>Are those family members who may be expect to influence, or be influenced by, that person in their dealings with the Council and include;</p> <ol style="list-style-type: none"> <li>that person's children and spouse or domestic partner</li> <li>children of that person's spouse or domestic partner; and</li> <li>dependants of that person or that person's spouse or domestic partner.</li> </ol>
Compensation	<p>Includes all employee benefits (as defined in AASB 119 Employee Benefits). Employee benefits are all forms of consideration paid, payable or provided by the Council, or on behalf of the Council, in exchange for services rendered to the Council. Compensation includes:</p> <ol style="list-style-type: none"> <li>short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave 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 or subsidised goods and services) for current employees;</li> <li>post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</li> <li>other long-term employee benefits, including long service leave or sabbatical leave, jubilee or other long service benefits, long-term disability benefits; and</li> <li>termination benefits.</li> </ol>
Control	Is the power to govern the financial and operating policies of a Council so as to obtain benefits from its activities.
Joint Control	Is the contractually agreed sharing of control over an economic activity
Key management personnel	Are 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 the Council.

Significant Influence	Is the power to participate in the financial and operating policy decision of the Council, but is not control over those policies. Significant influence may be gained by statute or agreement.
Arm's Length Terms	<p>Terms between parties that are reasonable in the circumstances of the transaction that would result from:</p> <ul style="list-style-type: none"> <li>a) neither party bearing the other any special duty or obligation; and</li> <li>b) the parties being unrelated and uninfluenced by the other; and</li> <li>c) each party having acted in its own interest.</li> </ul>

## 2 Application

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 (KMP)

## 3 AASB 1245 Disclosure Requirements

### 3.1 Disclosures

To comply with AASB 124, for annual periods on or after 1 July 2016, Council will make the following disclosures in its General Purpose Financial Statements;

- a) Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them.
- b) KMP compensation in total and for each of the following categories:
  - i) Short-term employee benefits;
  - ii) Post-employment benefits;
  - iii) Other long terms benefits; and
  - iv) Termination benefits.
- c) The information specified in Section 3.2 for related party transactions with the following persons during the period covered by the Financial Statements.
  - i) Council subsidiaries;
  - ii) Entities who are associated of Council or of a Council subsidiary;
  - iii) Joint ventures in which Council or a Council subsidiary is a joint venture;
  - iv) Council's KMP
  - v) Other related parties, comprising:
    - A close family member of a KMP of Council;
    - Entities controlled or jointly controlled by a KMP of Council;
    - Entities controlled or jointly controlled by a close family member of a KMP of Council.

### 3.2 Disclosed Information

For each category of related party transactions specified in Section 3.1(c) Council will disclose the following information in Council's General Purpose Financial Statements;

- a) The nature of the related party relationship;
- b) The amount of the transactions;
- c) The amount of outstanding balances, including commitments, and:
  - i) Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - ii) Details of any guarantees given or received;
- d) Provision for doubtful debts related to the amount of outstanding balances; and
- e) The expenses recognised during the period in respect of bad or doubtful debts due from related parties.

### 3.3 Disclosed in Aggregate or Separate

For each related party category specified in Section 3.1(c), Council will disclose information specified in Section 3.2 for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions in the Financial Statements of Council, having regard to the following criteria:

- a) the nature of the related party relationship;
- b) the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council)
- c) whether the transaction is carried out on non-arm's length terms
- d) whether the nature of the transaction is outside normal day-to-day business operations.

## 4 Identifying Council Related Party Relationships and Transactions

### 4.1 Identification

The Responsible Accounting Officer is responsible for identifying Council subsidiaries, associates and joint ventures (incorporated and unincorporated) from the Related Entities Register, a document which is prepared to substantiate Note 19 of the Financial Statements 'Interests in Other Entities'.

### 4.2 Control or Joint Control

To determine whether Council has control or joint control of an entity, the Responsible Accounting Officer is responsible for applying AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements.

### 4.3 Associate or Joint Venture

To determine whether an entity is an associate of, or in a joint venture with, Council or a Council subsidiary, the Responsible Accounting Officer is responsible for applying AASB 128 Investments in Associates and Joint Ventures.

## 4.4 Electronic Investigation

The Responsible Accounting Officer is responsible for investigating through Council’s business system whether any identified Council subsidiaries, associates or joint ventures have an existing related party transaction with Council.

## 4.5 Information Extraction

The Responsible Accounting Officer is responsible for identifying and extracting information specified in Section 3.2 against each existing related party transaction in Council’s business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

## 4.6 Manual Investigation and Recording of Information

For related party transactions that are not captured by Council’s business systems, the Responsible Accounting Officer is responsible for manually reviewing the transactional documentation and record the information specified in Section 3.2 for the subject transaction in the register of related party transactions.

# 5 Identifying Related Party Transactions with KMP and their close family members

## 5.1 Related Party Declarations

KMP must provide a related party declaration in the form set out in the Related Party Declaration Form, notifying any close family members or entities controlled or jointly controlled by them or any of their close family members to the Group Manager - Governance by no later than the following periods during a financial year (Specified Notification Period):

- a) 30 days after the commencement of the application of this policy
- b) 30 days after a KMP commences their term of employment with Council.
- c) 30 June each year

## 5.2 Related Party Declaration Form

At least 30 days before a specified notification period, the Group Manager – Governance will provide KMP with a Related Party Declaration Form.

## 5.3 Other Notifications

The notification requirements in Section 5 are in addition to the notifications a KMP must comply with:

- a) For councillors, the Code of Conduct, and
- b) Senior Executive officers who are KMP, the Code of Conduct, and
- c) The disclosure of interest in a written return pursuant to Section 450A of the *Local Government Act 1993* and *Local Government (General) Regulation 2005*.

## 5.4 Information Extraction

The Responsible Accounting Officer is responsible for identifying information specified in Section 3.2 against each notified related party in Council's business systems for the purpose of recording the related party transactions and associated information in the register of related party transactions.

## 5.5 Other Sources of Information

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

- a) A register of interest of the KMP and persons related to the KMP
- b) Minutes of Council and committee meetings.
- c) Council's Contracts Register.

## 5.6 Manual Investigation and Recording of Information

For related party transactions that are not captured by Council's business systems, the Responsible Accounting Officer is responsible for manually reviewing the transactional documentation and recording the information specified in Section 3.2 for the subject transaction in the register of related party transactions.

# 6 Ordinary Citizen Transactions

## 6.1 Non-material in Nature

Council will not disclose in its Financial Statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

## 6.2 Material in Nature

Council will disclose in its Financial Statements in accordance with Section 3, related party transactions that are ordinary citizen transactions assessed to be material in nature.

## 6.3 Materiality assessment

The Responsible Accounting Officer is responsible for reviewing and assessing the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the Financial Statements having regard to criteria specified in Section 3.3. As a general rule, Council will utilise \$50,000 as a threshold for materiality.

## 6.4 Information Extraction

The Responsible Accounting Officer is responsible for identifying information specified in Section 3.2 against each related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

## 7 Register of Related Party Transactions

### 7.1 Maintain a register

The Responsible Accounting Officer is responsible for maintaining and keeping up to date a register of related party transactions that captures and records the information specified in Section 3.2 for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

### 7.2 Contents of Register

The contents of the register of related party transactions must detail for each related party transaction;

- a) the description of the related party transaction
- b) the name of the related party.
- c) the nature of the related party's relationship with Council.
- d) whether the related party transaction is existing or potential
- e) a description of the transactional documents the subject of the related party transaction.
- f) the information specified in Section 3.2

## 8 Information Privacy

### 8.1 Confidential

The following information is classified as confidential and is not available for inspection by or disclosure to the public, including through a Government Information (Public Access) Act (GIPA) application:

- a) information (including personal information) provided by a KMP in a related party declaration; and
- b) personal information contained in a register of related party transactions.

### 8.2 When Consent is required

Except as specified in the policy, Council and other permitted recipients will not use or disclose personal information provided in a related party declaration by a KMP or contained in a register of related party transactions for any other purpose or to any other person except with the prior written consent of the subject KMP.

### 8.3 Permitted Recipients

The following persons are permitted to access, use and disclose the information (including personal information) provided in a related party declaration or contained in a register of related party transactions for the purposes specified in Section 8.4;

- a) General Manager
- b) Directors
- c) Responsible Accounting Officer
- d) Group Manager – Governance
- e) An Auditor of Council
- f) Other Council Officers as delegated by the General Manager.

## 8.4 Permitted Purpose

A person specified in Section 8.3 may access, use and disclose information (including personal information) in a related party declaration or contained in a register of related party transactions for the following purposes:

- a) to assess and verify a related party transaction
- b) to reconcile identified related party transactions against those notified in a related party declaration or contained in a register of related party transactions
- c) to comply with the disclosure requirements of AASB 124
- d) to verify compliance with disclosure requirements of AASB 124.

## 9 Government Information (Public Access) Act (GIPA Status)

### 9.1 No Public Inspection

The following documents are not open to or available for inspection by the public

- a) related party declaration provided by a KMP; and
- b) a register of related party transactions.

### 9.2 Not GIPA – accessible

A GIPA application seeking access to;

- a) a document or information (including personal information) provided by KMP in a related party declaration; or
- b) personal information contained in a register of related party transactions;

will be refused on the grounds the document contains information for which there is an overriding public interest against disclosure, pursuant to Section 14 of GIPA.

#### Documentation

List the name and document reference number of any other document referred to in this document, including any related policies and procedures

250.2016.2.1 Payment of Expenses and Provision of Facilities for Mayor and Councillors

250.2016.1.1 Code of Conduct

250.2017.#.1 Related Party Declaration Form

#### Variation

Council reserves the right to review, vary or revoke this policy and should be reviewed periodically to ensure it is relevant and appropriate.