

Council Policy

Related Party Disclosure

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Portfolio	Council Sustainability	Next Review Date	19/07/2025
Business Unit	Financial Management	Document ID	11200197

Purpose / Objective

This Policy provides a framework for properly identifying and documenting the existence of:

1. Specified related party relationships;
2. Related party transactions; and
3. Information about the transactions.

This Policy will also:

1. Provide information necessary for users to understand the potential effects of related party transactions on Council's financial statements;
2. Assist in proper identification of related party transactions;
3. Allow for the proper recording of related party transactions; and
4. Ensure that related party transactions are disclosed in Council's general purpose financial statements in compliance with the *Australian Accounting Standard AASB 124 Related Party Disclosures* (AASB 124), the *Information Privacy Act 2009* and the *Right to Information Act 2009*.

Scope

This Policy is to be applied in:

1. Identifying related party relationships; related party transactions, and ordinary citizen transactions;
2. Identifying information about the related party transactions for disclosure;
3. Establishing systems to capture and record the related party transactions and information about those transactions;
4. Identifying the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
5. Determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with AASB 124.

Policy Statement

Section 177 of the Regulation requires Council to prepare its general purpose financial statements in compliance with applicable Australian Accounting Standards and, for the purpose of this Policy, AASB 124.

From 1 July 2016, the Australian Accounting Standards Board has determined that AASB 124 will apply to government entities, including local governments.

This Policy aims to assist Council in complying with disclosure requirements stipulated under the AASB 124 and the Australian implementation guidance for not-for-profit public sector entities (AASB 124).

AASB 124 Disclosure Requirements

To comply with AASB 124, Council must disclose in its general purpose financial statements certain related party relationships, transactions and outstanding balances, including commitments, together with information associated with those transactions.

The most common related parties of Council are:

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

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 and collectively.

Identifying Related Party Transactions

Council will have systems in place to identify related parties and capture transactions with them.

Ordinary Citizen Transactions

Council will not require notification of or disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

Register of Related Parties

A register of related parties that captures and records the information required to support related party disclosures will be maintained.

Information Privacy and Right to Information

Collection and storage of personal information is governed by Council's Information Privacy Plan and the *Information Privacy Act 2009*.

Information provided by KMP and other related parties will be held for the purpose of compliance with Council's legal obligation and only disclosed where required for compliance, legal reasons or in accordance with the provisions of the *Right to Information Act 2009*.

Consideration of Human Rights under Human Rights Act 2019

In acknowledgement of the fundamental human rights recognised in International covenants this Council Policy has been developed and acknowledges a commitment to recognise the importance and protection of human rights in creating policies that serve to develop overarching frameworks, standards, behaviours or actions that affect the way in which Council serves the community of the Scenic Rim region.

An assessment of this Policy against the human rights determined that no human rights are limited or affected by this Policy.

Compliance, Monitoring and Review

The Coordinator Financial Management is responsible for ensuring this Policy:

- Aligns with all relevant legislation and government Policy;
- Aligns with requirements, strategies and values;
- Is implemented and monitored; and
- Is reviewed to evaluate its continuing effectiveness.

Definitions

Associate means in relation to an entity (the first entity), an entity over which the first entity has significant influence.

Close Family Members means in relation to a KMP, 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) dependents 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, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

Control of an entity is present when there is:

- a) power over the entity;
- 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, as determined in accordance with AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).

Example of control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights.

Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company.

Fred will need to include the company on his related party transaction notification.

Entity or Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Joint Control means 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.

Example of joint control

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board.

Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Fred will need to include the company on his related party transaction notification and the entity's related party relationship with Fred and Stan.

Joint Venture means an arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.

Key Management Personnel (KMP) means persons having authority and responsibility for planning, directing and controlling the activities of Council.

Specifically, KMP of Council are:

- a) the Mayor;
- b) Councillors;
- c) the Chief Executive Officer; and
- d) the General Managers;

Market Terms means the terms between parties that are reasonable in the circumstances of the transaction that would result from:

- a) neither party bearing the other any special duty or obligation; and
- b) the parties being unrelated and uninfluenced by the other; and
- c) each party having acted in its own interest.

Materiality means in accordance with AASB101 Presentation of Financial Statements, omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements.

Ordinary Citizen Transactions (OCTs) means transactions that an ordinary citizen would undertake with Council, which are undertaken on market terms and in the ordinary course of carrying out Council's functions and activities.

Examples of OCTs assessed to be not material in nature are:

- a) paying rates and utility charges;
- b) use of Council's public facilities that are freely available to the public;
- c) use of Council's public facilities after paying the corresponding fees;
- d) attending Council functions that are open to the public;
- e) reimbursement of work-related expenditure to staff and Councillors; and
- f) reimbursement of overpayments or refund of application fees where the application does not proceed.

Examples of transactions that are not OCTs:

- a) Infrastructure charges;
- b) Payments made by Council to suppliers, regardless of conditions; and
- c) Payment of salary or wages by Council to close family members of KMP.

Related Party means a person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.

Related parties include Council's key management personnel, their close family members, and any entities that they or any of their close family members control or jointly control.

Examples of related parties of Council are:

- a) Entities
 - Subsidiaries
 - Associates
 - Joint Ventures
 - LGIA Super
- b) Persons
 - KMP
 - Close family members of KMP
- c) Other Entities
 - Controlled or jointly controlled by related persons

Related Party Transaction means a transfer of resources, services or obligations between 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) leases;
- e) transfers of research and development;
- f) transfers under licence agreements;
- g) transfers under finance arrangements (e.g. loans);
- h) provision of guarantees or collateral;
- 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 a related party.

Significant Influence means the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures, paragraphs 3, 5 and 6.

Subsidiary means a company that is owned or controlled by another company.

Related Legislation and Documents

1. *Local Government Act 2009 (the Act)*;
2. *Local Government Regulation 2012 (the Regulation)*;
3. Australian Accounting Standard AASB 124 Related Party Disclosures;
4. *Information Privacy Act 2009*;
5. *Right to Information Act 2009*;
6. *Public Interest Disclosure Act 2010*;
7. *Crime and Corruption Act 2001*;
8. Related Party Disclosure Procedure ;
9. Related Party Notification Form;
10. Australian implementation guidance for not-for-profit public sector entities (AASB 124);
11. Councillor Code of Conduct;
12. Employee Code of Conduct;
13. Information Privacy Plan;
14. Public Interest Disclosure Management Policy;
15. Complaints Management Policy;
16. Australian Accounting Standard AASB101 Presentation of Financial Statements;
17. Australian Accounting Standard AASB 10 Consolidated Financial Statements; and
18. Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures.

This Policy supports the Scenic Rim Regional Council Corporate Plan 2026, in particular theme - Open and Responsive Government

Approval and Review Details

Approval and Review	Details
Original Approval Authority and Date	Council 19/12/2016
Amendment Authority and Date	Council 19/07/2022
Notes	Updated to New Policy Framework and template; Update to KMP position title descriptions; Guidelines removed from Policy and included in supporting Procedure.

Approved By:

SCENIC RIM REGIONAL COUNCIL

Adopted 19/07/2022

Version Information

Version No	Date	Key Changes
1	19/12/2016	Finance Committee Meeting 12/12/2016 Item No. 2.2; New Policy;
2	19/07/2022	Ordinary Meeting Item No. 10.10;