



**Policy Title:**                    **RELATED PARTY DISCLOSURE POLICY**

**Policy Type:**                    **FINANCIAL**  
 (Statutory, Financial, Administrative, Human Resources)

**Policy Number:**    **F005**

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Implementation Department		Officer Name	
Corporate Services		Director Corporate Services	
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## 1.0 Policy Background

The Australian Accounting Standards Board has removed the non-for-profit, public sector exemption from disclosing related party transactions under AASB 124. From 1 July 2016, AASB 124 *Related Party Disclosure* will apply to local government.

The objective of AASB 124 is to ensure that Council's financial Statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

## 2.0 Purpose and Scope

The objective of this policy is provide Aurukun Shire Council with guidelines for identification, review, approval and disclosure of related party transactions.

This policy applies to key management personnel and related parties of Aurukun Shire Council, as defined in the policy definitions of this policy. This policy shall be applied in:

## 3.0 Legislation

*Local Government Act 2009*

*Local Government Regulation 2012*

*AASB 124 Related Party Disclosure*

*AASB 2015-6 Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-For-Profit Public Sector Entities*

## 4.0 Definitions

Term	Meaning
Related Party	A person or entity that is related to the entity that is preparing its financial statements (AASB 124). For the purpose of this policy related parties are entities related to Council, key management personnel and their close family members and any entities that they control or jointly control.
Related party transaction	A transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged or not.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. For the purposes of this policy, the key management personnel include: <ul style="list-style-type: none"><li>• The Mayor and Councillors</li><li>• Chief Executive Officer</li><li>• Director Community Services</li><li>• Director Corporate Services</li></ul>

	<ul style="list-style-type: none"> <li>• Director Technical Services</li> </ul>
Close members of the family of a person	<p>Family members who may be expected to influence or be influenced by, that person in their dealings with Council and include:</p> <ul style="list-style-type: none"> <li>(a) that person's children and spouse or domestic partner</li> <li>(b) children of that person's spouse or domestic partner; and</li> <li>(c) dependants of that person or that person's spouse or domestic partner (AASB 124)</li> </ul> <p>Other family members that would expect to influence or be influenced by key management personnel need to be included as close family members</p>
Entity	Can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body
Compensation	<p>All forms of consideration paid, payable, or provided in exchange for services provided, and may include:</p> <ul 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, profit-sharing bonuses (if payable within twelve months of the end of the period) and non-monetary benefits such as medical care, housing, cars and free and subsidised goods or 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, if they are not payable wholly within twelve months after the end of the period, profit-sharing, bonuses and deferred compensation;</li> <li>• termination benefits; and</li> <li>• share-based payments</li> </ul>
Materiality	The assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity's financial statements.
Arm's Length Transaction	A transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest

<p>Ordinary Citizen Transaction (OCT)</p>	<p>Transaction that is made on an arm's length terms between Council and key management personnel and their close family members that an ordinary member of the community would transact with Council. This includes but is not limited to payment of utilities charges and ID cards.</p>
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## 5.0 IDENTIFICATION OF RELATED PARTIES AND TRANSACTIONS

### 5.0.1 Entities Related to Council

These are entities controlled by Council, jointly controlled by Council, or over which Council has significant influence.

Transactions between Council and entities related to Council will be identified and changes captured through Council's accounting system, and with non-monetary transactions monitored through Council's written records and information technology and communications (ITC) records.

When assessing whether Council has control or joint control over an entity, Council will need to consider AASB 10 and AASB 11. AASB 128 details the criteria for determining whether council has significant influence over an entity.

### 5.0.2 Key Management Personnel (KMP)

For the purpose of this policy, Key Management Personnel, have been defined to include the mayor and councilors, chief executive officer and three (3) directors.

All key management personnel are responsible for self-assessing their own related parties, associated entities, and close family members every six months.

A review of related parties immediately following a particular event, such as change of councilors, CEO, senior management or corporate structure will be conducted.

All key management personnel are responsible for updating the CEO of any changes to related parties that occur outside of the review period.

Self-assessment will be recorded on the Related Party Declaration Form.

Transactions with key management personnel will be identified and captured through Council's accounting system, written records, and ITC records.

### 5.0.3 Close family members of KMP

Close family members are family members who may be expected to

influence or be influenced by key management personnel.

Key management personnel is responsible for identifying and declaring their close family members.

Transactions with KMP's close family members will be identified and captured through Council's accounting system, written records, and ITC records.

#### **5.0.4 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.

Key management personnel will identify the controlled or jointly controlled entities.

### **6.0 Related party transactions capture and analysis**

The types of transactions that will be captured and analyzed regardless of whether a price is charged.

- Purchases or sales of goods;
- Purchases or sales of property and other assets;
- Rendering or receiving of services
- Leases
- Guarantees given or received
- Commitments including terms and conditions
- Loans and settlements of liabilities
- Expense recognised during the period in respect of bad debts
- Provision of doubtful debts relating to outstanding balances
- Grants and subsidy payments made to associated entities of Council
- Compensation in total made to key management personnel
- Employee benefits made to close family members of key management personnel
- Infrastructure contributions and application fees from related parties
- Fees and charges charged to related parties
- Fees and charges or associated amounts paid by Council to person or related person.

### **7.0 Materiality of related party transactions that have been captured**

When assessing materiality, Council will consider both the size and nature of the transaction, individually and collectively. Factors to be considered:

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

Council sets a minimum monetary value of \$1,000 for a transaction to be material to be included in the financial statements.

## **8.0 Disclosure**

There related party disclosure will include:

- The nature of the related party relationship
- Information about the transactions and outstanding balances and commitments including outstanding balances

Related party transactions will only be disclosed within the annual financial statements if the transaction has occurred or there is a commitment that it will occur.

Elected members and staff included in the related party disclosure in the financial statements will be provided with a copy for comment prior to finalisation of external audit.

The CEO will give the final approval for the contents of the disclosure.

### **8.01 Ordinary citizen transactions (OCT) that will not be disclosed**

Ordinary citizen transactions (refer to definition table) are transactions that an ordinary citizen would undertake with council. These transactions will not be disclosed in the financial statements.

If the ordinary citizen transaction were to occur on terms and conditions that are different to those offered to the general public, these transactions will be disclosed in the financial statements.

Council will identify ordinary citizen transactions between Council and related parties.

## **9.0 Privacy and freedom of information**

Access to Related Party Declarations and related party transactions will be strictly limited to external auditors, CEO and three (3) directors, and staff involved in preparing the related party disclosures.

Request for access to Related Party Declarations will be through council resolution.