

## RELATED PARTY DISCLOSURES POLICY

### (COMMUNITY POLICY)

#### 1. Scope

The Related Party Disclosure Policy (this 'Policy') applies to Related Parties of Council and their Related Party Transactions with Council (as defined in the policy definition section of this policy).

#### 2. Purpose

The purpose of this Policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the *Australian Accounting Standard AASB 124 – Related Party Disclosures*.

These disclosures draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances with such parties.

#### 3. References (legislation/related documents)

##### Legislative reference

*Local Government Act 2009*  
*Local Government Regulation 2012*  
*Privacy Act 1988*  
*Right to Information Act 2009*

##### Related documents

AASB 10 Consolidated Financial Statements  
AASB 11 Joint Arrangements  
AASB 124 Related Party Disclosures  
AASB 128 Investments in Associates and Joint Ventures  
Council Code of Conduct Policy  
Other HR & Payroll forms

#### 4. Definitions

To assist in interpretation, the following definitions shall apply:

AASB 124	The Australian Accounting Standards Board, Related Party Disclosures Standard.
Act	The <i>Local Government Act 2009</i> .
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.

Close family members of the family or person	<p>Are those family members who may be expected to influence, or be influenced by, that person in their dealings with the 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) Dependents of that person or that person's spouse or domestic partner.</li> </ul> <p>For the purpose of the AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) <i>if</i> they could be expected to influence, or be influenced by, they key management person in their dealings with Council.</p>
Entity	Can include a body corporate, a partnership or trust, incorporated association, or unincorporated group or body.
Key Management Personnel	As defined in Section 5.1 of this Policy.
Key Management Personnel Compensation	<p>Includes all forms of consideration paid, payable or provide 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 and bonus (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 payment.</li> </ul>
Material (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. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.
Ordinary Citizen Transaction	Transactions that are made on an arm's length basis between the Council and key management personnel and their close family members that an ordinary citizen of the community would transact with the Council. This includes but is not limited to payment of rates for properties owned by the key management personnel and dog registration.
Related Party	Defined in Section 5.2 of this Policy.

Related Party Transaction	Is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.
Regulation	<i>Local Government Regulation 2012.</i>
Significant (significance)	Likely to influence the decisions which users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/taxpayer relationship.

## 5. Policy Statement

Related Party relationships are a normal feature of commerce and business. For example, entities frequently conduct parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.

A Related Party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a Related Party which unrelated parties would not. For example, goods are supplied to Council on terms which might not be offered to other customers. Also, transactions between Related Parties may not be made on the same terms as between unrelated parties.

The normal business operations of Council may be affected by a Related Party relationship even if Related Party Transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another—for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessments of Council's operations by users of financial statements, including assessments of the risks and opportunities facing the Council.

### 5.1 Identification of Key Management Personnel

Senior Management roles are defined in the *Act* to include Councillors<sup>1</sup> and Senior Executive Employees<sup>1</sup>. AASB 124 defines Key Management Personnel as “*those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity*”

Key Management Personnel for Livingstone Shire Council are considered to include:

- Councillors (including the Mayor);
- Chief Executive Officer; and
- Senior Executive Officers (including Executive Directors and Chief Officers).

### 5.2 Identification of Related Parties

A person or entity is a related party of Council if any of the following apply:

<sup>1</sup> As defined under the Section 201 of the *Local Government Act 2009*.

- a) They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- b) They are an associate or belong to a joint venture of which Council is part of;
- c) They and Council are joint ventures of the same third party;
- d) They are part of a joint venture of a third party and Council is an associate of the third party;
- e) They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
- f) They are controlled or jointly controlled by close family members of the family of a person;
- g) They are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a Key Management Personnel of Council; or
- h) They, or any member of a group of which they are a part, provide Key Management Personnel services to Council.

#### **5.2.1 Related Parties of Council**

For the purposes of this Policy, related parties of Council are:

- a) Entities related to Council;
- b) Key Management Personnel of Council
- c) Close family members of Key Management Personnel;
- d) Possible close family members of Key Management Personnel's and
- e) Entities or persons that are controlled or jointly controlled Key Management Personnel, or their close family members, or their possible close family members.

### **5.3 Review of Related Parties**

A review of Key Management Personnel and their related parties will be completed every six (6) months.

Particular events, such as change of Councillors, Chief Executive Officer, Senior Executive Officers or a corporate restructure, will also trigger a review of Council's related parties immediately following such an event.

The method for identifying the close family members and associated entities will be through Key Management Personnel self-assessment.

### **5.4 Identification of Control or Joint Control**

A person or entity is deemed to have control if they have:

- 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.

To jointly control, a person or entity must have contractual rights or agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

### **5.5 Required Disclosures & Reporting**

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

- 1) Disclosure of any related party relationship – must disclose in the annual financial statements its relationship with any related parties or subsidiary (where applicable), whether or not there have been transactions within the relevant reporting period.
- 2) Key Management Personnel Compensation Disclosures – must disclose in the annual financial statements Key Management Personnel for each of the categories of compensation (as defined in the definitions of this Policy) in total.

## 5.6 Related Party Transactions Disclosures

Related Party Transactions are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Quotations and/or tenders;
- Commitments; and
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party.

Council must disclose all **material** and **significant** Related Party Transactions in its annual financial statements and include the following detail:

- (a) The nature of the related party relationship; and
- (b) Relevant information about the transactions including:
  - (i) The amount of the transaction;
  - (ii) The amount of outstanding balances, including commitments, and
    - Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
    - Details of any guarantee given or received;
  - (iii) Provision for doubtful debts related to the amount of outstanding balances; and
  - (iv) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

The following matters must be considered in determining the materiality and significance of any related party transactions:

- (a) Significance of transaction in terms of size;
- (b) Whether the transaction was carried out on non-market terms;
- (c) Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets; and
- (d) Whether the transaction is disclosed to regulatory or supervisory authorities;
  - (i) Whether the transaction has been reported to senior management; and
  - (ii) Whether the transaction was subject to Council approval.

Regard must also be given for transactions that are collectively, but not individually significant.

Disclosures that Related Party Transactions were made on terms equivalent to those that prevail in arm's length transactions can only be made if such terms can be substantiated.

All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions and to determine the significance of each of the transactions.

#### **5.7 Privacy and Right to Information**

Collection and storage of personal information is governed by Council's Privacy Policy, the *Privacy Act 1988* and the *Right to Information Act 2009*. Information provided by Council's Key Management Personnel and other related parties shall be held for the purpose of compliance with Council's legal obligations and shall be disclosed where required for compliance or legal reasons only.

#### **5.8 Review of Related Party Transactions**

A review of all Related Party Transactions will be completed every 6 months.

### **6. Changes to this Policy**

This Policy is to remain in force until any of the following occur:

1. The related information is amended/replaced; or
2. Other circumstances as determined from time to time by the Council.

### **7. Repeals/Amendments**

<b>Version</b>	<b>Date</b>	<b>Action</b>
1	27/09/2016	Adopted
1.1	02/10/2018	Administrative Amendments – reflect organisational restructure

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