

## F.12 Related Party Disclosure Policy

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Date Adopted by Council	10 June 2016	Council Resolution No.	12-09-20
Effective Date	01 July 2016	Review Date	July 2021
Policy Owner	Council	Responsible Officer	CEO
Policy Number	F.12	IX Reference	101633
Version Number	V1	10-Jun-16	Developed and adopted
	V2	13-Apr-18	Reviewed – no changes
	V3	09-Jul-19	Reviewed – no changed
	V4	11-Sep-20	Reviewed and adopted

CEO	Chief Executive Officer
DCCS	Director Corporate & Community Services
DES	Director Engineering Services
MFS	Manager Financial Services

## 1 OBJECTIVE

The objective of this policy is to ensure that Council's transactions with related parties are disclosed, thereby ensuring transparency in dealings and their effect on Council's financial reports. These disclosures draw attention to the possibility that Council's 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 SCOPE

This Policy shall be applied in:

- (a) identifying related parties and relevant transactions;
- (b) identifying outstanding balances, including commitments, between Council and its related parties;
- (c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- (d) determining the disclosures to be made about those items.

This policy applies to elected members of Council, to all employees and to all consultants and contractors engaged by Council.

## 3 STATEMENT

### 3.1 BACKGROUND

Related party relationships are a normal feature of commerce and business. A related party relationship could have an effect on the profit or loss and financial position of Council. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer.

In addition, the profit or loss and financial position of an entity 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 entity with other parties.

Council is committed to responsible corporate governance, including compliance with the laws and regulations governing related party transactions.

### 3.2 DISCLOSURES

In accordance with section 186 of the *Local Government Regulation 2012* Council shall continue to disclose in its Annual Report the details of remuneration, expenses incurred and facilities provided to Councillors. Details of remuneration to senior management as required under section 201 of the *Local Government Act 2009* shall also continue to be provided.

In addition, in accordance with *AASB 124 – Related Party Disclosures* Council shall, in its financial statements disclose:

- a) Key management personnel compensation in total and for each of the following categories:
  - Short-term employee benefits;
  - Post-employment benefits;
  - Other long-term benefits;
  - Termination benefits; and
- b) Where Council has related party transactions it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments. As a minimum the disclosures shall include:
  - The amount of the transactions;

- 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 settlements;
  - Details of any guarantees given or received;
  - Provisions for doubtful debts related to the amount of outstanding balances; and
  - The expense recognised during the period in respect of bad or doubtful debts due from related parties.
- c) Disclosures made under (b) shall be made separately for each of the following categories:
- Subsidiaries of Council;
  - Associates of Council;
  - Joint ventures in which Council is a joint venturer;
  - Key management personnel; and
  - Other related parties.
- d) Items of a similar nature shall be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council.
- e) Transactions not considered material (as defined in *AASB 101 Presentation of Financial Statements, 101.7*) shall not be disclosed. Assessing transactions for materiality shall be undertaken in conjunction with Council's external auditor and audit committee.

### 3.3 ORDINARY CITIZEN TRANSACTIONS (OCT)

Transactions with related parties of Council which are of a nature that any ordinary citizen would undertake will not be captured and reported. These transactions are not material transactions because of their nature. However, if the OCT occurs on terms and conditions that are different to those offered to the general public the transaction may become material and subsequently disclosed.

Ordinary Citizen Transactions shall include:

- Use of Council facilities, equipment and services in accordance with Council's fees, charges and policies;
- Payment of rates and charges;
- Attendance at Council functions and activities that are open to the public;
- Payment of fines and other penalties on normal terms and conditions; and
- Related party transactions occurring during the course of delivering Council's public service objectives and which occur on no different terms to that of the general public.

Amendments to transactions classified as Ordinary Citizen Transactions may be identified from time to time and this policy will be amended accordingly.

### 3.4 IDENTIFICATION OF RELATED PARTIES AND RELATED PARTY RELATIONSHIPS

Council management shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of Key Management Personnel shall be by (but not limited to) KMP self-assessment. A review of related parties will be undertaken at twelve monthly intervals or sooner if required. KMP have a responsibility to identify and report any changes to their related parties as they occur. Prior to the commencement of this policy taking effect an initial identification process will be undertaken and recorded.

### 3.5 IDENTIFICATION AND RECORDING OF RELATED PARTY TRANSACTIONS

Council management shall identify suitable methodology and procedures for identifying and reporting on related party transactions such that accurate data will be collated from 01 July 2016. Identification and reporting methods shall consider;

- Transactions occurring via Council's accounting and electronic records management systems;
- Other transactions not passing through Council's electronic accounting / management systems; and
- The identification of the associated terms and conditions of the related party transactions.

If any elected member or employee believes a transaction may constitute a related party transaction they must notify the Chief Executive Officer who will, in consultation with the Manager Financial Services, make a determination on the matter.

### 3.6 PRIVACY AND FREEDOM OF INFORMATION

Collection and storage of personal information is governed by Council's Information 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.

## 4 DEFINITIONS

<u>Key Management Personnel (KMP)</u>	Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. For Quilpie Shire Council the Key Management Personnel that have been identified include Mayor, Councillors, Chief Executive Officer, Manager Corporate and Community Services and Manager Engineering Services.
<u>Related Person</u>	Includes key management personnel (KMP) and close family members of KMPs.
<u>Related Entity</u>	Is a subsidiary, associate or joint venture or any other entity that is controlled or jointly controlled by related persons.
<u>Related Party Transaction</u>	Is a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged. In considering related party relationship, attention is directed to the substance of the relationship and not merely the legal form.
<u>Close Family Members of a Person</u>	Are those family members who may be expected to influence, or be influenced by, that person in their dealings with Council.

## 5 RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS

*Local Government Act 2009*

*Local Government Regulation 2012*

AASB 124 – Related Party Disclosures (July 2015)

Australian Accounting Standards

IX #	Details
102175	F.12-A Related Party Disclosure Procedure
102292	F.12-B Related Party Disclosure Declaration Form
91583	G.12 Personal Information Privacy Policy
Various	Registers of Interests – Key Management Personnel
91099	G.04 Code of Conduct for Councillors
94362	Employee Code of Conduct