

RELATED PARTY DISCLOSURE

Objective

- To identify related party relationships and transactions
- To identify outstanding balances, including commitments, between Council and its related parties
- To identify the circumstances in which disclosure of the above is required; and
- To determine the disclosures to be made about those items.

Scope

This policy applies to key management personnel and related parties of Gilgandra Shire Council, specifically:

- Councillors
- General Manager
- Directors
- Finance Manager
- All tier three managers
- and staff who from time to time will act in any of the abovementioned positions.

Policy

Related Party relationships are a normal feature of business. Related parties may enter into transactions that unrelated parties would not. Therefore a related party relationship has potential to have an effect on the profit or loss and financial position of Council.

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.

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

Council will exercise compliance with the disclosure requirements of AASB 124 by executing the following steps:

- a) identify related party relationships and transactions
- b) identify outstanding balances, including commitments, between an entity and its related parties

- c) identify the circumstances in which disclosure of the items in (a) and (b) is required
- d) establish systems to capture and record the related party transactions and information about those transactions
- e) determine the disclosures to be made about those items.

Statement of Procedures

1 AASB 124 DISCLOSURE REQUIREMENTS

1.1 Disclosures

To comply with AASB 124, 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) Key management personnel (KMP) compensation in total and for each of the following categories:
 - (i) short-term employee benefits
 - (ii) post-employment benefits
 - (iii) other long term benefits
 - (iv) termination benefits; and
 - (v) share-based payment
- c) Amounts incurred by Council for the provision of KMP services that are provided by a separate management entity.
- d) The disclosures required in section 1.2 for related party transactions shall be made separately for:
 - (i) subsidiaries
 - (ii) entities who are associates of Council or of a Council subsidiary
 - (iii) joint ventures in which Council or a Council subsidiary is a joint venturer
 - (iv) Council's KMP
 - (v) other related parties such as:
 - a) a close family member of a KMP of Council
 - b) entities controlled or jointly controlled by a KMP of Council
 - c) entities controlled or jointly controlled by a close family member of a KMP of Council
 - d) other entities as specified in AASB 124, paragraph 9(b)

1.2 Disclosed Information

In order to comply with AASB124, 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) provisions for doubtful debts related to the amount of outstanding balances; and
- e) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

For items of a similar nature, Council will disclose in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the Financial Statements of Council.

2 IDENTIFYING COUNCIL RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

2.1 Identification

The Responsible Accounting Officer is responsible for identifying Council subsidiaries, associates and joint ventures.

2.2 Control or Joint Control

The Responsible Accounting Officer is responsible for determining when Council has control of an entity by applying Australian Accounting Standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*.

2.3 Associate or Joint Venture

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

2.4 Information Extraction

The Responsible Accounting Officer is responsible for identifying and extracting information against each related party transaction in Council's business system and transactional documentation not captured by Council's business system.

3 IDENTIFYING RELATED PARTY TRANSACTIONS WITH KMP AND THEIR CLOSE FAMILY MEMBERS

3.1 Related Party Disclosure Form

The Responsible Accounting Officer will provide KMP with the relevant Related Party Transaction Disclosures form (Attachment A) at least 30 days prior to 30 June each financial year (or 30 days after a KMP commences their term of employment with Council).

3.2 Completion of KMP Disclosure Form

KMP must complete and submit the relevant form notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members by no later than 30 June each financial year.

The method for identifying close family members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

3.3 Exemptions

The following transactions which are considered to be at arm's length and in the ordinary course of carrying out of Council's functions and activities, are not required to be disclosed:

- paying of rates and utility charges
- using Council's public facilities after paying the corresponding fees
- Mayor and Councillors expenses incurred and facilities provided during the financial year under Council's Payment of Expenses and Provision of Facilities to Mayor and Councillors' Policy.

3.4 Other Sources of Information

The Responsible Accounting Officer is responsible for reviewing, if required, other sources of information held by Council including, but not limited to:

- a) Register of Disclosures of Interests
- b) minutes of Council and committee meetings;
- c) Council's Contracts' Register.
- d) Council's Gift Register

4 REGISTER OF RELATED PARTY TRANSACTIONS

4.1 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 1.2 for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

5 INFORMATION PRIVACY

Information provided by KMP 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.

6 DEFINITIONS

Close family members or close members of the family

In relation to a KMP, family members who may be expected to influence, or be influenced by that KMP in their dealings with Council will include:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner; and
- c) dependants 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 Entity

Control of an entity is present when there is:

- a) power over the entity; and
- 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

Joint control

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.

Joint venture

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)

Person(s) having authority and responsibility for planning, directing and controlling the activities of Council and staff who from time to time will act in any of those positions.

Related party

A person or entity that is related to Council pursuant to the definition contained in AASB 124, Paragraph 9. Examples of related parties of Council are:

- a) Council subsidiaries
- b) KMP
- c) close family members of KMP
- d) entities that are controlled or jointly controlled by KMP or their close family members

Related party transaction

A transfer of resources, services or obligations between the 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) rendering or receiving of goods
- e) leases
- f) transfers under licence agreements
- g) transfers under finance arrangements (example: loans)
- h) provision of guarantees (given or received)
- i) commitments to do something if a particular event occurs or does not occur in the future
- j) settlement of liabilities on behalf of Council or by Council on behalf of that related party

Relevant Legislation

Local Government Act 1993

Local Government (General) Regulation 2005

Australian Accounting Standard 124 – Related Party Disclosures

Australian Accounting Standard 10 – Consolidated Financial Statements

Australian Accounting Standard 11 – Joint Arrangements

Australian Accounting Standard 128 – Investments in Associates and Joint Ventures

Privacy and Personal Information Protection Act 1998 (PPIPA)

Associated Documents

Code of Conduct
 Privacy Management Plan
 Expenses and Facilities policy – Mayor and Councillors
 Access to Information held by Council policy

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| Responsible Officer: | Director Corporate Services | | |
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