

# Policy



**ROUS**  
COUNTY COUNCIL

## Related party disclosure

Approved by Council: 30 October 2024

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

**Safety**

**Teamwork**

**Accountability**

**Respect**

### Background

This policy has been developed to provide guidance in complying with the *Local Government Act*, section 413(3), which requires Council to prepare its General Purpose Financial Statements in compliance with Australian Accounting Standards. The relevant standard for the purpose of this policy is *AASB 124 Related Party Disclosures*, July 2015 (AASB 124).

The Australian Accounting Standards Board (AASB) determined in AASB 124 that from 1 July 2016 related party disclosures will apply to government entities, including local governments (councils).

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

- (a) disclosure of any related party relationships
- (b) key management personnel (KMP) compensation disclosures.

Council in complying with disclosure requirements in AASB 124, will:

- (a) identify related party relationships and relevant transactions
- (b) identify information about the related party transactions for disclosure
- (c) establish systems to capture and record the related party transactions and information about those transactions
- (d) identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
- (e) determine the disclosures to be made about those items in the general purpose financial statements.

The policy will be reviewed when any of the following occur:

- (a) a change of councillors, chief executive officer or other KMP;
- (b) as a result of changes to the OLG Local Government Code of Accounting Practice and Financial Reporting.

## Definitions

- **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 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.

- **KMP** - Person(s) having authority and responsibility for planning, directing and controlling the activities of Council.
- **Material** - 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 of an entity's financial statements.
- **Ordinary citizen transactions** - Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.
- **Related party** - Is any person or entity that is related to the entity that is preparing its financial statements.
- **Related party transaction** - A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.

## Policy statement

Related party relationships are a normal feature of commerce and business.

A related party relationship could influence the normal business operations of Council 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.

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.

## Key management personnel

For Council purposes KMP include:

- (a) Councillors
- (b) General Manager.

## **Related parties**

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

- (a) entities related to Council
- (b) KMP of Council
- (c) close family members of KMP
- (d) possible close family members of KMP's, and
- (e) entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

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

- (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 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 KMP of Council; or
- (h) they or any member of a group of which they are a part, provide KMP services to Council.

## **Related party transactions**

Related party transactions are required to be disclosed, 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.

## **Disclosures**

To comply with AASB 124, Council will disclose all material and significant Related Party Transactions in its General-Purpose Financial Statements by aggregate or general description and include the following detail:

- (a) the nature of the related party relationship
- (b) the amount of the transactions

- (c) the amount of outstanding balances, including commitments; and
- (d) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
- (e) details of any guarantees given or received
- (f) provisions for doubtful debts related to the amount of outstanding balances; and
- (g) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

For the purposes of this policy any transaction where the aggregate amount involved exceeds \$10,000 in any financial year will be disclosed in the annual financial statements.

KMP must complete a 'Related party disclosure' 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, to the Finance Team by no later than the following periods during a financial year:

- (a) 30 days after the commencement of the application of this policy
- (b) 30 days after a KMP commences their term or employment with Council
- (c) 30 June each year.

At least 30 days before a specified notification period, the Finance Team will provide KMP with a 'Related party disclosure' form and a 'Privacy collection notice'.

### **Identifying related party relationships and transactions**

The method for identifying the 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.

The preferred method of reporting is for KMP to provide details of related parties and related party transactions to the Responsible Accounting Officer.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised system.

The Finance Team is responsible for identifying and extracting related party transaction in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

The contents of the register of related party transactions must detail for each related party transaction:

- (a) the description of the related party transaction
- (b) the name of the related party
- (c) the nature of the related party's relationship with Council
- (d) whether the notified related party transaction is existing or potential
- (e) a description of the transactional documents the subject of the related party transaction
- (f) the amount of the transactions
- (g) the amount of outstanding balances, including commitments, and

- (h) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
- (i) details of any guarantees given or received
- (j) provisions for doubtful debts related to the amount of outstanding balances; and
- (k) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

### Information privacy

Collection and storage of personal information is governed by Council’s Privacy Management Plan, the Privacy and Personal Information Protection Act 1988 and the Government Information Public Access Act 2009. Information provided by Council’s 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.

### Contact officer

Finance Manager

## Related documents

### Policies

Code of Conduct

‘Payment of expenses and provision of facilities for chairperson and councillors’ policy

Privacy Management Plan

### Legislation

*Local Government Act 1993 and Local Government (General) Regulation 2005,*

*Accounting Standard AASB 124 July 2015 Related Party Disclosures*

*Privacy and Personal Information Protection Act 1998 [PPIPA]*

*Government Information (Public Access) Act 2009 [GIPAA].*

### Other

Declarations of Interest

| Office use only | File: <a href="#">F20/324-01</a>  | Next review date: October 2024 (new term of council) |                |
|-----------------|---|--|----------------|
| Version         | Purpose and description   | Date adopted by Council                              | Resolution no. |
| 1.0             | To define the parameters for related party relations and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124 – Related Party Disclosures. | 17 May 2017  | 44/17          |
| 2.0             | To update frequency of disclosure requirements  | 17 August 2022                                       | 56/22          |
| 3.0             | Minor wording changes.  | 30 October 2024                                      | 60/24          |

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