

POLICY NO LG51 RELATED PARTY DISCLOSURES

DEPARTMENT:	Governance
RESPONSIBLE OFFICER:	Executive Officer
LINK TO STRATEGIC PLAN:	Ensure council fulfils its legislative and governance responsibilities and its decision making, supported by sustainable policies and procedures
STATUTORY AUTHORITY:	<p>Under the <i>Local Government Act 1993</i> and the <i>Audit Act 2008</i> all local governments in Tasmania must produce annual financial statements that comply with Australian Accounting Standards.</p> <p>This policy outlines what is expected of elected members and staff of Council in relation to Australian Accounting Standard AASB 124 <i>Related Party Disclosures</i> (AASB 124)</p>
OBJECTIVE:	<p>This policy outlines what is expected of elected members and staff of Council in relation to Australian Accounting Standard AASB 124 <i>Related Party Disclosures</i> (AASB 124).</p> <p>Specifically, the policy outlines the disclosure requirements under AASB 124 of Key Management Personnel (KMP), which includes elected members. It also outlines the procedures Council will follow to collect, store, manage and report on related party relationships, transactions and commitments.</p>
POLICY INFORMATION:	Adopted 19 April 2017 – Minute No. 07/17.12.4.88

POLICY

KEY TERMS

Term	Meaning
Close Family Member	Family members of Key Management Personnel (KMP) who may be expected to influence, or be influenced by, that person in their dealings with the entity. This includes, but is not limited to, that person's spouse or domestic partner; and the children and dependents of that person or that person's spouse or domestic partner.
Declaration by KMP	An annual declaration of close family members and entities that the KMP or their close family members control or jointly control updated during the year as necessary.
Entities controlled by KMPs	<p>Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.</p> <p>You control an entity if you have:</p>

	<ul style="list-style-type: none"> • power over the entity; • exposure, or rights, to variable returns from involvement with the entity; and • the ability to use your power over the entity to affect the amount of your returns.
Entities related to Council	Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council.
Joint control of an entity	To jointly control an entity there must be contractually 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.
Key Management Personnel (KMP)	Persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. In the council context this includes the Mayor, Councillors, the General Manager and Managers/Supervisors who report directly to the General Manager as outlined in the policy.
KMP Compensation	<p>All employee benefits. Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes:</p> <ul style="list-style-type: none"> a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees; b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; c) 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; d) termination benefits; and e) share-based payment.
Materiality	<p>Information is material when, if omitted or misstated, it could influence decisions that users make on the basis of financial information about a specific reporting entity.</p> <p>Omissions or misstatements of items are material if they could, individually or collectively influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the</p>

	item, or a combination of both, could be the determining factor.
Ordinary Citizen Transactions (OCTs)	Transactions that an ordinary citizen would undertake with Council are usually not material to related party disclosure requirements. OCTs do not apply if the terms and conditions are different to those offered to the general public.
Related Party of Council	People and entities, such as companies, trusts and associations, can be related parties of Council. Most commonly these will be entities related to Council, KMP of Council (including elected members), close family members of KMP and 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 a reporting entity and a related party, regardless of whether a price is charged.

1. KEY MANAGEMENT PERSONNEL (KMP)

- 1.1 The General Manager will ensure the establishment, review and maintenance of a list of Key Management Personnel for Council.

Key Management Personnel (KMP) for council are:

- the Mayor
 - all Councillors
 - the General Manager
 - all Managers/supervisors who report directly to the General Manager
- 1.2 Those persons identified as KMP will complete an annual declaration which outlines the entities, if any, that are controlled or jointly controlled by that KMP or their close family members and which are likely to have transactions with Council.
- 1.3 For the purpose of this Policy, Close Family Members includes:
- that person's children and spouse or domestic partner;
 - children of that person's spouse or domestic partner; and
 - dependents of that person or of that person's spouse or domestic partner.
- 1.4 It is the responsibility of General Manager to ensure receipt of a declaration upon a change of KMP.
- 1.5 All KMPs will be asked to provide their declarations by 1 July each year covering the forthcoming financial year. In addition, an updated declaration for the previous financial year will also be provided.
- 1.6 It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.

2. REGISTER OF RELATED PARTY TRANSACTIONS

- 2.1 Maintain a Register

The General Manager will ensure that a register of related party transactions that captures and records the information for each related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year, is kept and maintained

2.2 Contents of Register

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

- the description of the related party transaction;
- the name of the related party;
- the nature of the related party's relationship with Council;
- a description of the transactional documents the subject of the related party transaction.

The General Manager is responsible for ensuring that the information is disclosed in Council's Financial Statements to the extent, and in the manner stipulated by AASB 124.

3. RELATED PARTIES

Council will use the declarations of KMP to establish a list of related parties for the purposes of identifying transactions and reporting under AASB 124.

4. UPDATES

Updates will be provided to KMP and Council staff periodically on changes arising from amendments to Australian Accounting Standards, applicable legislation or policy and procedural requirements.

5. COUNCIL ENTITIES AND SUBSIDIARIES

For the purpose of this policy, entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements.

6. ENTITIES CONTROLLED (or jointly controlled) BY A KMP OR THEIR CLOSE FAMILY MEMBERS.

KMP will exercise their best judgement in identifying related parties. KMP, including elected members, will carefully assess the information and examples following before declaring, or not declaring, an entity over which they, or a close member of the family, have control or joint control.

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

7. DECLARATIONS

Each year Council will declare the following related party transactions:

7.1 Transactions with Council subsidiaries, by transaction type.

KMP compensation

Transactions with other related parties (Transactions of a similar nature will be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of a related party transaction on the financial statements of council)

Outstanding balances in relation to transactions with related parties, including:

- Entities controlled by KMPs; and
- Bad or doubtful debts in respect of amounts owed by related parties.

Non-monetary transactions such as use of facilities, peppercorn rents.

7.2 If a KMP or close associate is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for review and information purposes. Feedback must be provided within 14 days.

7.3 Council will not capture Ordinary Citizen Transactions (OCTs) with related parties. Nor will Council disclose non-material transactions.

7.4 The General Manager will assess the materiality of the related party transactions that have been captured prior to disclosure.

Council does not have to disclose transactions that are not material. In determining materiality, the size and nature of the transaction individually and collectively will be considered.

7.5 In making disclosures in the annual financial statements Council will include:

- Relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them.
- KMP compensation in total and for each of the following categories:
 - short-term employee benefits;
 - post-employment benefits;
 - other long-term benefits; and
 - termination benefits.
- Where related party transactions have occurred:
 - the nature of the related party relationship; and
 - information about the transactions, outstanding balances and commitments.
- Separate disclosure in aggregate for each category of related party transactions.

- Note: Transactions that are individually significant, either because of their amount or nature, are included in the aggregate disclosure but also need to be disclosed separately.
- The types of transactions disclosed such as:
 - purchases or sales of goods;
 - purchases or sales of property and other assets;
 - rendering or receiving of services;
 - leases;
 - guarantees given or received;
 - commitments;
 - loans and settlements of liabilities;
 - expense recognised during the period in respect of bad debts; and
 - provision for doubtful debts relating to outstanding balances.

8. MONITORING AND REVIEW

This Policy will be reviewed every three (3) years in line with the Council's Policy Framework or earlier in the event of major changes to legislation or related policies, procedures of if deemed necessary by the Mayor and the General Manager.