

Related Party Disclosure Policy

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CONTENTS

1	Policy Background	3
2	Purpose	3
3	Scope	3
4	Legislative Context	3
5	Policy Details	3
5.1	Identifying related parties and transactions.....	3
5.1.1	Entities related to Council.....	3
5.1.2	Key Management Personnel (KMP)	3
5.1.3	Close family members of KMP	4
5.1.4	Entities controlled or jointly controlled by close family members of key management personnel	4
5.1.5	Types of related party transactions that are to be included	4
5.2	Assessment of Related Party Transactions	5
5.2.1	Materiality	5
5.2.2	Ordinary Citizen Transactions	5
5.2.3	Identification of all related party transactions	5
5.2.4	Privacy.....	5
5.3	Disclosure	5
6	Definitions	6
7	References	6

1 Policy Background

Councils are required to prepare financial statements annually and these must be prepared in compliance with the Local Government Act, the Local Government Regulation and Australian Accounting Standards. AASB 124 – Related Party Disclosures has been amended to include Public Sector entities from 1 July 2016.

2 Purpose

This policy is to provide guidance for determining who are the related parties of Council, what equates to related party transactions and how to record them.

3 Scope

This policy applies to key management personnel and related parties of Southern Downs Regional Council.

4 Legislative Context

- AASB 124 – Related Party Disclosures
- Local Government Act 2009
- Local Government Regulation 2012, Part 3, Division 1

5 Policy Details

5.1 Identifying related parties and transactions

5.1.1 Entities related to Council

These are entities that are controlled by Council, jointly controlled by Council or over which Council has significant influence. Payments to these entities will be identified through Council's accounts payable system, with non-monetary transactions reviewed through Council's document management system.

5.1.2 Key Management Personnel (KMP)

Key management personnel have been defined for this policy as elected members, the chief executive officer, directors and managers.

All key management personnel are responsible for self-assessing their own related parties and close family members on a six monthly basis. All related parties must be included in the self assessment. Key management personnel are responsible for

keeping the Chief Executive Officer updated when any changes to those related parties occur outside of those times.

Self assessment will be recorded on the Related Party Declaration form.

Transactions with related parties will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

5.1.3 Close family members of KMP

Close family members are people who can be expected to influence or be influenced by key management personnel.

Key management personnel will identify close family members (see definitions) through the self assessment process.

Transactions with those applicable close family members will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

5.1.4 Entities controlled or jointly controlled by close family members of key management personnel

Key management personnel will identify all entities that are controlled or jointly controlled by close family members through the self assessment process.

Transactions with those applicable entities will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

5.1.5 Types of related party transactions that are to be included

The types of transactions that need to be captured for analysis to be included in the related party disclosure are as follows:

- Grants and subsidy payments made to associated entities of Council
- Non-monetary transactions between Council and associated entities of Council
- Other goods and services provided by Council to associated entities if Council
- Compensation made to key management personnel
- Fees and charges charged to related parties
- Infrastructure contributions and application fees from related parties
- Purchase of materials and services from related parties
- Employee expenses for close family members of key management personnel

5.2 Assessment of Related Party Transactions

5.2.1 Materiality

Once the related party transactions have been identified they will be analysed by the CEO and those found to be of a material nature will be disclosed in the financial statements.

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

5.2.2 Ordinary Citizen Transactions

Ordinary citizen transactions (see definitions) are those transactions that are made on an arm's length basis between Council and related parties that an ordinary citizen of the community would transact with the Council. Examples of these are rates payments for properties owned by the related party and dog registration payments.

Council will identify all transactions between Council and related parties. Any that are deemed to be ordinary citizen transactions (see definition) will not be required to be disclosed in the annual financial statement.

Transactions between Council and related parties that would normally be considered to be ordinary citizen transactions but where the terms and conditions differ from normal practice will not be considered to be an ordinary citizen transaction for the purposes of this policy. These will be disclosed in Council's annual financial statements in the related party disclosure.

5.2.3 Identification of all related party transactions

Capture of all related party transactions will be done to allow a full assessment of related party transactions that are included in the related party disclosure. This will also allow Council's external auditors to perform a full analysis of the entire process that results in the related party transaction disclosure.

5.2.4 Privacy

Council's Finance Manager will endeavour to ensure that only those staff and external auditors that are involved in preparing the related party disclosure will have access to the Related Party Declarations and related party transactions.

5.3 Disclosure

The related party disclosure will include the nature of the relationship and information about transactions, outstanding balances and commitments.

Transactions will only be included in the disclosure within the annual financial statements if the transaction has occurred or there is a commitment that it will occur. The types of disclosures will be relationships, transactions, outstanding balances and commitments.

If an elected member or staff member is affected by the related party disclosure they will be given a copy of the disclosure for comment before the external audit is finalised. All comments will be considered however any deviations from the standard or policy will not be included in the final disclosure. The CEO will give the final approval of what will be contained in the disclosure.

6 Definitions

Term	Meaning
Related parties	A person or entity that is related to the entity that is preparing its financial statements (taken from AASB 124). For the purpose of this policy related parties are entities related to council, key management personnel and close family members of key management personnel of Southern Downs Regional Council.
Key Management Personnel	People that have authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly (taken from AASB 124). For the purposes of this policy key management personnel are elected members, the chief executive officer, directors and managers.
Close family members	Close family members are people who can be expected to influence or be influenced by key management personnel. This includes but is not limited to spouse or partner, children and dependents, children and dependents of spouse or partner and possibly parents and grandparents and other family members. Other family members that would expect to influence or be influenced by KMP need to be included as close family members.
Arms 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.
Ordinary Citizen Transactions	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.
Normal Terms and Conditions	The standard rules governing transactions between Council and all external bodies. These can be governed by policies, legislation or accepted business practices.

7 References

The State of Queensland, Department of Infrastructure, Local Government and Planning fact sheets and examples on Related Party Disclosures