



Related Parties Disclosure Policy

Aim

This policy outlines what is expected of elected members and staff of Council in relation to Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124).

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.

Compliance Obligations

Australian Accounting Standards

King island Council's Codes of Conduct

Legislation

Local Government Act 1993 (Tas)

Archives Act 1983 (Tas)

Audit Act 2008 (Tas)

Personal Information Protection Act 2004 (Tas)

Right to Information Act 2009 (Tas)

Scope

This policy applies to all people having authority and responsibility for planning, directing and controlling the activities of Council or Council entities - directly or indirectly. This includes Councillors, General Manager and Senior Executives of Council.

It may also apply to external contractors and consultants who fill roles defined as *Key Management Personnel* within Council.

Definitions

Refer to Attachment 1 – Glossary. All italicised terms refer to definitions in the Glossary.

Policy

Identifying Related Parties

The General Manager will establish, review and maintain a list of *Key Management Personnel* for Council.

Key Management Personnel (KMP) for Council are:

- the Mayor
- all Councillors
- the General Manager
- other senior executives who meet the definition in this policy.

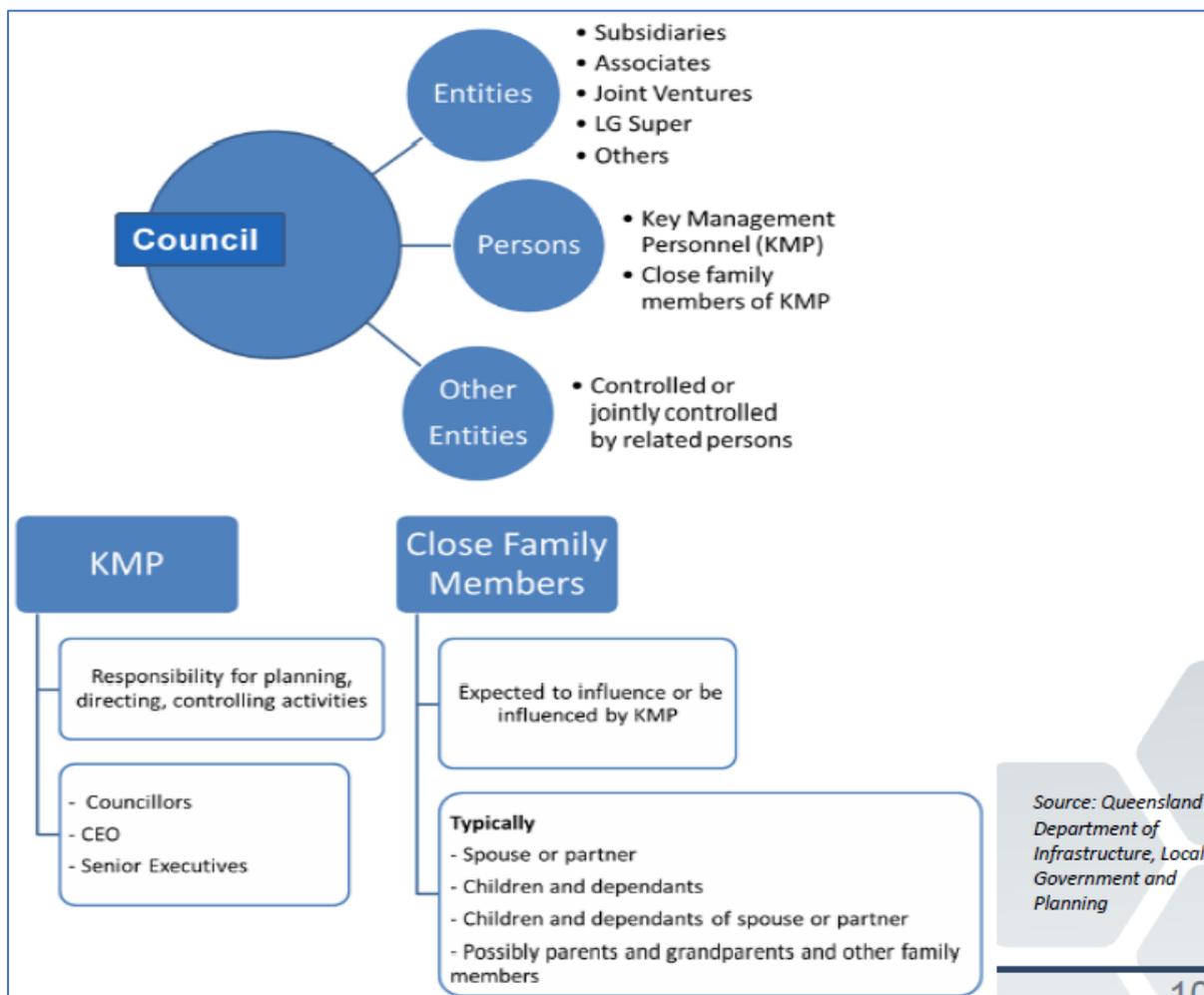


Figure 1 extract from presentation by Tasmanian Audit Office, May 2017

All 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.

Other parties may be assessed from time to time as being *related parties* due to changes to Council's structure or in accordance with legislative or accounting standard changes.

Example for Guidance (Cousin of Mayor)

The Mayor of Happy Shire Council (Shelley) has lived in the Shire her whole life. In fact, her family has been in the area for over five generations.

Shelley's cousin Mavis, owns and operates the local newsagent through a company Happy News Pty Ltd, in which she owns 100% of the shares. Shelley and Mavis have always been close and regularly socialise together.

Shelley has been identified as a KMP of Council. From these facts, it would appear that Mavis is a close family member of Shelley because she would be expected to influence, or be influenced by, that person in her dealings with Council

Both Mavis and the company she controls, Happy News Pty Ltd would therefore be related parties of Council. Any transactions that the Council makes with the newsagent would need to be separately identified and may need to be disclosed.

Requirements of Key Management Personnel

The General Manager will seek a *declaration* when a *KMP* changes, including at the time that any newly appointed Councillor commences.

All *KMPs* are required to provide their *declarations* by 1 July each year for the forthcoming financial year. At the same time, an updated *declaration* for the previous financial year is required.

Declarations under this policy are continuing obligations, so it is the responsibility of all *KMP* to update their *declaration* as soon as a change occurs or an error or omission is identified.

Register of Related Party Transactions

Maintain a Register

The General Manager is responsible for maintaining a current Register of Related Party Transactions that captures and records the information for each existing or potential *related party transaction* during a financial year. This includes *ordinary citizen transactions* assessed as being material in nature.

Contents of Register

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*.

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.

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.

Changes to Australian Accounting Standards, applicable legislation or policy and procedural requirements will be provided to *KMP* and Council staff periodically.

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.

Example for Guidance (Company that is a related party of Council)

Sunny Regional Council (SRC) owns 90% of the shares in Sunny Regional Development Pty Ltd (the company).

SRC has assessed that it has control over the company. The company is therefore a related party of SRC because SRC controls it.

SRC produces consolidated financial statements which include both a parent entity column and consolidated entity column. In these statements, all individually significant transactions between SRC and the company will need to be disclosed. For other transactions that are collectively, but not individually, significant SRC will need to disclose a qualitative and quantitative indication of their extent.

SRC must also disclose the nature of its relationship with the company.

Entities Controlled (or jointly controlled) by 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.

Example for Guidance

Mayor is the President of a local football club.

The Mayor of Sunny Shire Council is the President of League Heroes Inc, the local football club. This club is overseen by a committee which comprises the President and four other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 100 members that each have a vote in electing the committee members at the club's annual general meeting.

From these facts, it would appear that the Mayor does not control or jointly control the football club so it will not be a related party of Council just because the Mayor is the president of the club.

Related party disclosures by Council

In accordance with AASB 124, Council will disclose in their general purpose financial statements information pertaining to related party transactions, including:

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*.

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

Other transactions as required by legislation.

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 5 days.

In accordance with the Standard, Council will not capture *Ordinary Citizen Transactions (OCTs)* with related parties. Nor will Council disclose non-material transactions.

The list of *OCTs* in the Standard will be reviewed periodically with updates provided to KMP.

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 and assessment will be made in consultation with the Audit Office.

Privacy and right to information

Council must comply with the requirements of the *Archives Act 1983* (Tas), *Personal Information Protection Act 2004* (Tas) and *Right to Information 2009* (Tas) in the collection, storage, management, disclosure and reporting of information.

In accordance with the PIP Act, Council cannot use personal information for purposes other than the reason it is collected.

A *declaration* statement from *KMP* is incorporated into the Declaration of Related Party Transactions Form (Attachment 2) to enable the disclosure and reporting of information in accordance with AASB 124. A Related Party Information Collection Notice will be provided to *KMP* and included in their *Declarations* (Attachment 3).

Responsibilities

Associated Documents

Attachment 1 Glossary - Related Party Disclosure Policy
Attachment 2 King Island Council's Declaration of Related Party Transactions form
Attachment 3 King Island Council's Related Party Information Collection Notice
King Island Council's Codes of Conduct
King Island Council Gifts and Benefits Policy
King Island Council Fraud and Corruption Control Policy
King Island Council Personal Information Protection Policy
Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian Implementation Guidance for Not-for-Profit Public Sector Entities
AASB 10 Consolidated Financial Statements
AASB 11 Joint Arrangements
AASB 128 Investments in Associates and Joint Ventures

Approved by Council at its meeting on 19 November 2019 – Resolution: No. 268/19



General Manager