

**Policy Title:** Related Party Disclosure Policy

**Classification:** Governance

## Date Adopted by Council

10 August 2016

## Council Minute Number

2016/08/10/.05

## Effective Date

10 August 2016

## Review Date

10 August 2017

## Responsible Officer

Executive Officer Strategy and Governance

## Responsible Department

Office of the Mayor and CEO

## Revokes:

Policy Number: N/A

Policy Name: N/A

Adopted: N/A

### INTERNAL USE ONLY

Policy Number: 95      Version: 1

**NOTE:** This cover page is not to be included when submitting a report to a Council meeting

## 1. BACKGROUND AND PRINCIPLES

*Australian Accounting Standard AASB 124 Related Party Disclosure* draws attention to the possibility that Council's financial position may be affected by the existence of transactions with a related party.

Related party relationships are a normal feature of commerce and business. However, statutory controls exist to ensure that responsible corporate governance is established to ensure such relationships do not inappropriately influence decisions and the performance of local government business.

Key management personnel ("KMP") hold positions of responsibility within Council where decisions about the allocation of scarce resources may have a material effect on the financial and non-financial management of the Council. It is therefore important the KMP act honestly and with reasonable care and diligence whilst avoiding improper use of their position and information. It is equally important that KMP of the Council are subject to a high level of accountability, including appropriate disclosure of their transactions with the council in the financial statements.

## 2. SCOPE

This policy applies to all Councillors, managers, officers, employees, consultants and contractors of WRC.

## 3. POLICY OBJECTIVES

The objective of this policy is to ensure that Council's financial statements comply with the disclosure requirements under the Australian Accounting Standard AASB 124 Related Party Disclosures.

## 4. POLICY STATEMENT

- 4.1 This policy shall be applied by Council and its auditors in:
- (a) identifying related party relationships and transactions;
  - (b) identifying outstanding balances between Council its related parties;
  - (c) identifying the circumstances in which disclosure of the items in paragraphs (a) and (b) are required; and
  - (d) determining the disclosures to be made about the items in paragraphs (a) and (b).

### Disclosure requirements

- 4.2 Council shall report in its annual report details of remuneration, expenses incurred and facilities provided to Councillors as required under s186 of the *Local Government Regulation 2012*.
- 4.3 Council shall report in its annual report details of remuneration to senior management as required under s201 of the *Local Government Act 2009*.

- 4.4 Compensation to senior management as per clause 4.3 is to be disclosed in total and for each of the following categories:
- (a) short-term employee benefits;
  - (b) post-employment benefits;
  - (c) other long-term benefits; and
  - (d) termination benefits.
- 4.5 Council shall disclose in its financial statements related party relationships, leases, transactions (monetary and non-monetary), outstanding balances and commitments. At a minimum, disclosures shall include:
- (a) the value of the transaction(s);
  - (b) the value of outstanding balance(s) and their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlements;
  - (c) the nature of the related party relationship;
  - (d) details of any guarantees given or received;
  - (e) provisions for doubtful debts related to the amount of outstanding balances; and
  - (f) the expense recognised during the period in respect of bad or doubtful debts due from related parties
- 4.6 Disclosures made as per clause 4.5 shall be made separately for the following categories:
- (a) subsidiaries (irrespective of whether there have been transactions between entities);
  - (b) associates;
  - (c) joint ventures in which Council is a joint venturer;
  - (d) KMP and close family members; and
  - (e) other related entities.

#### **Excluded from detailed disclosure**

- 4.7 Council shall exclude from detailed disclosures those transaction with related parties of the Council that:
- (a) occur within a normal employee, customer or supplier relationship and at arm's length;
  - (b) occur under normal terms and conditions;
  - (c) are trivial or domestic in nature; or
  - (d) are individually or collectively immaterial.
- 4.8 Such transactions and amounts receivable or payable shall be disclosed in the financial statements by aggregate or general description.
- 4.9 The arm's length principle is the condition or fact that the parties to a transaction are independent and on an equal footing.
- 4.10 Normal terms and conditions are those that apply to the general public.
- 4.11 Transactions or balances are trivial in nature when they are of little or no interest to the users of the financial report in making decision about the allocation of scarce resources.

- 4.12 Transactions are domestic in nature when they are related to a person's personal household activities.
- 4.13 Materiality takes its meaning as defined in AASB 101 Presentation of Financial Statements. Assessing materiality requires judgement and shall be done in consultation with Council's external auditor and audit committee.

#### **Ordinary Citizen Transactions ("OCT")**

- 4.14 Transactions with related parties of the Council which are of a nature that any ordinary citizen would undertake will be captured but will not be reported. If an OCT occurs on terms and conditions that are different to those offered to the general public, the transaction will be captured and reported in the financial statements.
- 4.15 Examples of OCT include:
- (a) using the Council's public swimming pool after paying the normal fee;
  - (b) parking fees at rates available to the general public;
  - (c) attending Council functions that are open to the public;
  - (d) fines on normal Terms and Conditions; and
  - (e) paying rates and utility charges.
- 4.16 Example of transactions that are not OCTs include:
- (a) infrastructure charges; and
  - (b) purchase of goods, regardless of conditions.

#### **Identification of related parties**

- 4.17 The Office of the CEO is responsible for maintaining a current register of related parties.
- 4.18 The Office of the CEO will review the register of related parties every six months, or after a significant restructure. As part of said review, the KMP are required to review their Declaration.
- 4.19 Key Management Personnel are required to complete a Related Parties Declaration, to update their declaration within 10 business days of any change in circumstances and to review their Declaration annually.

#### **Privacy and Freedom of Information**

- 4.20 Collection and storage of personal information is governed by the *Information Privacy Act 2009*.
- 4.21 Information provided by KMP and other related parties shall be held for the purpose of compliance with obligations under this policy and shall be disclosed where required for compliance or legal reasons only.

### Consequences of Breach of Policy

4.22 Failure to disclose related party transactions will be deemed a breach of this policy and will be followed with disciplinary action.

### Giving notice of a suspected related party transaction

4.23 If any Councillor believes that a transaction may constitute a related party transaction they must notify either the CEO or the Chief Financial Officer.

4.24 If any employee believes that a transaction may constitute a related party transaction they must notify the CFO or Director Corporate Services.

### Training and communication

4.25 Council will make this policy available to Councillors, management, officers, employees, consultants and contractors.

4.26 Internal training will be provided to relevant staff.

## 5. RELEVANT LEGISLATION

*Information Privacy Act 2009*

*Local Government Act 2009*

*Local Government Regulation 2012*

## 6. DEFINITIONS

**AASB** means the Australian Accounting Standards Board.

**CEO** shall mean a person who holds an appointment as Chief Executive Officer of the Whitsunday Regional Council under section 194 of the *Local Government Act 2009*. This includes a person acting in this position.

**CFO** means Council's Chief Financial Officer.

**Economic entity** means a group of entities comprising the parent entity and each of the entities that it controls.

**Key Management Personnel and/or KMP** includes the Councillors, Chief Executive Officer, Chief Financial Officer, Directors, Chief Operating Officer and Executive Manager.



**Related party transactions** include transactions between a responsible person or a responsible person related party and a council and include but are not limited to loans, loan repayments, shares and share options within the economic entity.

**Related parties** is defined as per AASB 124 Related Party Disclosure, namely "...a person or entity that is related to the entity that is preparing its financial statements." A person or a close member of that person's family is related to Whitsunday Regional Council (WRC) if that person:

- has control or joint control of WRC;
- has significant influence over WRC; or
- is a member of the KMP of WRC.

A related party includes the spouses of the key management personnel, children of such key management personnel or spouses and any other entity under the joint or several control or significant influence of such related parties, spouses or children.

**Remuneration** means remuneration package and included any money, consideration or benefit received or receivable by the person as a responsible person or employee, but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transactions.

## 7. RELATED DOCUMENTS

Register of Interests

Code of Conduct

## 8. DATE REVIEWED

August 2016

## 9. NEXT REVIEW

August 2017