

Policy title:	Related Party Disclosure Policy
Policy number:	1.5.15
Objective:	To ensure Council's financial statements comply with the disclosure requirements under AASB 124 Related Party Disclosures
Link to community vision/service:	Best Practice Corporate Governance
Program Area:	Finance
Policy created: 13/12/16	Council reviewed: 13 December 2016
Last reviewed by staff: 01/02/19, 5/5/2020	TRIM Ref: ED20/2607

Objective

The objective of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124 – *Related Party Disclosures*. This is to ensure transparency in dealings with related parties and their effect on Council's financial reports.

Scope

This policy shall be applied in:

- a) Identifying related parties and relevant transactions
- b) Identifying outstanding balances, including commitments, between Council and its related parties,
- c) Identifying the circumstances in which disclosures of the items in a) and b) is required, and
- d) Determining the disclosures to be made about those items.

Related Legislation and Other Documents

Local Government Act 1993
 Local Government (General) Regulation 2005
 AASB 124 Related Party Disclosures
 Australian Accounting Standards

Effective Date

The effective date is 1 July 2016. This policy will be reviewed when any of the following occur:-

- a) The related legislation and Other Documents are amended or replaced
- b) Other circumstances as determined from time to time by a resolution of Council
- c) Periodic Review – 2 years from date of adoption.

Definitions

Related Parties	A person or entity that is related to the entity that is preparing its financial statements. 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 Lismore City Council.
Related Party Transaction	A Related Party Transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
Key Management Personnel (KMP)	People that have authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly.
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, grandparents and other family members. Other family members that would expect to influence or be influenced by key management personnel need to be included as close family members.
KMP Compensation	All forms of consideration paid, payable or provided in exchange for services provided. Compensation categories include:- <ul style="list-style-type: none">• Short Term Employment Benefits• Post Employment Benefits• Other Long Term Benefits, and• Termination Benefits.
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 personal.
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.

Related Party Disclosure Policy

Policy Statement

Related Party relationships are a normal feature of commerce and business. A related party relationship could have an effect on the profit or loss and financial position of Council. Related parties may enter into transactions that unrelated parties would not.

In addition, the profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessment of Council's operations by users of Financial Statements, including assessments of the risks and opportunities facing the Council.

Related Parties

Identification of Key Management Personnel (KMP)

KMP for the Council are considered to include:-

- Councillors (including the Mayor)

- General Manager
- Executive Directors
- Staff members acting in the position of General Manager or Executive Director

Identification of Related Parties

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

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; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

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

Identification of Control or Joint Control

A person or entity is deemed to have control if they have:

- a) Power over the entity;
- b) Exposure, or rights, to variable returns from involvement with the entity; and
- c) The ability to use power over the entity to affect the amounts of return.

To jointly control, a person or entity must have contractual rights or 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.

Review of Related Parties

A review of KMP's and their related parties will be completed at the beginning of each Financial Year.

Particular events, such as a change in Councillors, General Manager or Executive Directors, will also trigger a review of Council's related parties immediately following such an event.

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment.

KMP are responsible for keeping the General Manager updated when any changes to those related parties occur outside of those times.

Related Party Transaction

Identification of all Related Party Transactions

All related party transactions will be captured to allow a full assessment of transactions that are to be 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.

All KMP will be required to complete and submit to the General Manager, a notification advising of any known related party transactions that have occurred in the past 6 month period and any related party transactions that have the potential of occurring in the next 6 month period. A Nil notification will be required to be submitted to the General Manager if no transactions are required to be reported. These notifications will be due to the General Manager by the 31 January and the 31 July covering the reporting periods from 1 July to 31 December and 1 January to 30 June respectively.

Types of Transactions

Related Party Transactions are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Quotations and/or tenders;
- Commitments;
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party;
- Grants and subsidy payments made to associated entities of Council;
- Non monetary transactions; and
- Compensation made to key management personnel and their close family members.

Ordinary Citizen Transactions

Ordinary citizen transactions 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 will not be required to be disclosed in the annual financial report.

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.

Register of Related Party Transactions

The Manager Finance must maintain and keep up to date a register of related party transactions that captures and records the information specified for each existing or potential related party transaction, including ordinary citizen transactions assessed as being material in nature during a financial year.

Materiality

Council must disclose all material and significant Related Party Transactions in its annual financial statements.

Once the related party transactions have been identified they will be analysed by the General Manager 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 exceeds \$10,000 (GST inclusive) in any financial year will be disclosed in the annual financial statements.

Required Disclosures and Reporting

AASB124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

1. *Disclosure of any material related party transactions* – if there have been material transactions between related parties, Council must disclose the nature of the relationship with the related party, as well as sufficient information about the transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.
2. *KMP Compensation Disclosures* – must disclose in the financial statements KMP compensation in total for each of the categories.

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 policy will not be included in the final disclosure. The General Manager will give the final approval of what will be contained in the disclosure.

Privacy and Freedom of Information

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 Key Management Personnel 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.