



# Gladstone Regional Council

## Council Policy

<b>Title</b>	<b>RELATED PARTY DISCLOSURE</b>
<b>Policy Number</b>	<b>P-2019-21</b>
<b>Business Unit/s</b>	<b>FINANCE GOVERNANCE AND RISK</b>
<b>Date of Adoption</b>	
<b>Resolution Number</b>	
<b>Review Date</b>	
<b>Date Repealed</b>	

### 1.0 PURPOSE:

To outline Gladstone Regional Council's policy regarding the identification and monitoring of related party transactions.

### 2.0 SCOPE:

This policy applies to Council's Key Management Personnel as defined in this Policy and those involved in administering and reporting on Related Party Transactions and disclosures.

### 3.0 RELATED LEGISLATION:

- *Local Government Act 2009*
- *Local Government Regulation 2012*

### 4.0 RELATED DOCUMENTS:

- **AASB 124** *Related Party Disclosures*
- **AASB 10** *Consolidated Financial Statements*
- **AASB 11** *Joint Arrangements*
- **AASB 128** *Investments in Associates and Joint Ventures*
- Employee Code of Conduct Policy
- Councillor Code of Conduct Policy
- Key Management Personnel – Related Party Declaration
- Related Party Register
- Department of Infrastructure, Local Government and Planning Related Party Disclosures, 24 February 2016 - <https://www.dlgrma.qld.gov.au/resources/publication/local-government/appendices-1-8-related-party-disclosure-bulletin.pdf>

### 5.0 DEFINITIONS:

To assist in interpretation of this policy the following definitions apply:

**A Related Party** is a person or an entity that is **related** to Council as well as Council's Key Management Personnel (KMP) and their Close Family Members. Related parties also include entities that are controlled or jointly controlled by KMP and their Close Family Members. Refer Attachment 1 for common Related Parties that a Council may have.

**A Related Party Transaction** is a transfer of resources, services or obligations between Council and a Related Party, regardless of whether a price is charged. Related Party Transactions include rendering of services, settlement of loans, purchase of goods/services/property, loans, equity contributions, guarantees, commitments and transactions that occur on terms and conditions that are different to those offered to the general public.

**A Related Person** includes KMP and Close Family Members of KMP.

**Close Family Members** of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with Council.

**Control** is the power to govern the financial and operating policies of an entity so as to obtain benefit from its activities.

**Key Management Personnel** are those persons having authority and responsibility for planning, directing and controlling the activities of Council, both directly and indirectly. For the purposes of this policy, KMP is limited to the Mayor, Councillors, Chief Executive Officer (CEO), General Managers and the Manager Contracts and Procurement.

**Material** - information is Material to financial statements if omitting it or misstating it could influence decisions that users make on the basis of financial information.

**Ordinary Citizen Transaction** means transactions that an ordinary citizen would undertake with Council. For example, paying rates, utility charges, and fines on normal terms and conditions.

**Significance** means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions and that the transactions have occurred between Council and the Related Party outside of the public service provider / taxpayer relationship.

## **6.0 POLICY STATEMENT:**

### **6.1 Background**

Council (the business) must disclose certain Related Party relationships and Related Party Transactions together with information associated with those transactions in its general-purpose financial statements in order to comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

### **6.2 Responsibilities**

#### **6.2.1 Key Management Personnel (KMP)**

In order to assess and disclose Related Party Transactions, Key Management Personnel are required to:

- Complete and update a Related Party Declaration identifying any Related Party Entities, Close Family Members, and any Entities that those Close Family Members Control or jointly Control.

KMP will self-assess to identify Close Family Members and associated entities of KMP. KMP have an ongoing responsibility to advise immediately of any Related Party changes. If it is brought to the business's attention that any Related Party of KMP has not been declared, an immediate review will be triggered and the affected KMP will be required to review their existing Related Party Declaration.

If a person is acting in a position that would normally be considered a KMP role, that person is only a KMP if they have the same authority and responsibility for planning, directing and controlling the activities of the business. For example, if a person is acting in a KMP position while a KMP is on annual leave, and that person's participation in key decisions is limited during that period, the person would not be considered a KMP. Alternatively, if a person is acting in a vacant position and they participate in key decisions, then that person would be considered a KMP.

### **6.2.2 Monitoring and Reporting on Related Party Transactions and Disclosures**

Officers tasked with the responsibility of monitoring and reporting on Related Party Transactions and disclosures will:

- Assess KMP Related Party Declarations and flag individuals and entities within the accounting system where Related Party Transactions may occur
- Maintain a Related Parties Register
- Review KMP declared conflicts of interest against Related Party Declarations
- Regularly generate a report to identify Related Party Transactions and assess if those transactions are Material and/or of Significance for possible disclosure and reporting in financial statements
- Review KMP Related Party Declarations:
  - a. at least every six months,
  - b. when there are changes to KMP appointments,
  - c. when it is reported that a KMP Related Party relationship may not have been disclosed.

### **6.3 Reporting**

Prior to preparing financial statement disclosures, related party transactions will be assessed for materiality. Transactions that are Ordinary Citizen Transactions do not need to be disclosed. Transactions that are not considered Material do not need to be disclosed. When assessing materiality, both the size and nature of the transaction will be considered, individually and collectively.

Assessing materiality requires judgement and the following factors may indicate a Material Related Party Transaction:

- significance in terms of size (by reference to materiality levels set by external auditors each year)
- carried out on non-market terms
- outside normal operations
- subject to Council approval
- provide a financial benefit not available to the general public
- transaction likely to influence decisions of users of financial statements.

Transactional information will be summarised and financial amounts will be reported as aggregate totals in the Related Party disclosure notes in the financial statements in the following categories, where required:

- Subsidiaries

- KMP Compensation<sup>1</sup>
- Transactions with Related Parties
- Outstanding Balances
- Loans and Guarantees to/from Related Parties
- Commitments to/from Related Parties.

**6.4 Access to Related Party Information**

The following access provisions and restrictions apply to Related Party information:

Related Party Information Type	Access Rights and Restrictions
Gladstone Regional Council Annual Financial Statements (includes reporting on related party disclosures)	Publicly available and published on Council's website
KMP Related Party Declarations	Requires an application to be lodged with Council under the <i>Right to Information Act 2009</i> . It is likely that full access to this information will not be granted due to the documents containing personal information of individuals.
Related Party Register	
Transactional information and documentation the subject of a Related Party Transaction with Council	

**7.0 ATTACHMENTS:**

1. What is a Related Party of Council?

**8.0 REVIEW MECHANISM:**

This policy will be reviewed when any of the following occur:

1. The related legislation or governing documents are amended or replaced; or
2. Other circumstances as determined by resolution of Council or the CEO; or
3. Three years from date of adoption.

TABLE OF AMENDMENTS			
Document History	Date	Council Resolution No.	Notes (including the prior Policy No, precise of change/s, etc)
Originally Approved	21 June 2016	G/16/2824	FCGC/16/0026 went to Finance & Corporate Governance Committee 13/6/2016
Amendment 1			Will repeal both P-2016-19 Policy and CS-12-2017 Corporate Standard – no replacement Corporate Standard is proposed

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**CHIEF EXECUTIVE OFFICER**

<sup>1</sup> As defined in AASB124 - definition for *Compensation*

## ATTACHMENT 1 – What is a Related Party of Council?

The following diagram gives an overview of common related parties that a Council may have:

