



# 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Date Repealed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.

The purpose 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*.

### 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.

This policy applies to Related Parties of Council and their Related Party Transactions with Council (as defined in the policy definitions section of this policy).

### 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>](#)

- ~~Council Code of Conduct Policy~~
- ~~Councillor Conduct Code~~
- ~~Council Related Party Disclosures Corporate Standard~~
- ~~Other HR & Payroll forms~~

## 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.

**"AASB 124"** - means the Australian Accounting Standards Board, Related Party Disclosures Standard.

**"Act"** - means the *Local Government Act 2009*.

**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.

**"Close members of the family of a person"** - are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

**"Entity"** - can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

**"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, as defined in Section 6.1 of this Policy.

**"KMP Compensation"** - means all forms of consideration paid, payable, or provided in exchange for services provided, and may include:

- ~~Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits~~

~~(such as medical care, housing, cars and free and subsidised goods or services) for current employees;~~

- ~~• Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;~~
- ~~• Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation;~~
- ~~• Termination benefits; and~~
- ~~• Share-based payment.~~

~~**"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. **(materiality)** means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.~~

~~**"Ordinary Citizen Transaction"** - means a transactions that an ordinary citizen of the community would undertake in the ordinary course of business with Council. For example, paying rates, utility charges, and fines on normal terms and conditions.~~

~~**"Possible (Possibly) Close members of the family of a person"** - are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:~~

- ~~(a) that person's brothers' and sisters';~~
- ~~(b) aunts', uncles', and cousins' of that person's spouse or domestic partner;~~
- ~~(c) dependants of those persons' or that person's spouse or domestic partner as stated in (b); and~~
- ~~(d) that person's or that person's spouse or domestic partners', parents' and grandparents'.~~

~~**"Related Party"** - defined in Section 6.2 of this Policy.~~

~~**"Related Party Transaction"** - is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.~~

~~**"Regulation"** - means the *Local Government Regulation 2012*.~~

~~**"Significancet" (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 the Council and the Related Party outside a 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*.~~

~~Related Party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.~~

~~A related Party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a Related Party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Also, transactions between Related Parties may not be made on the same terms as between unrelated parties.~~

~~The normal business operations of Council 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 Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another—for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.~~

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

## **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:

<b><u>Related Party Information Type</u></b>	<b><u>Access Rights and Restrictions</u></b>
<u>Gladstone Regional Council Annual Financial Statements (includes reporting on related party disclosures)</u>	<u>Publicly available and published on Council's website</u>
<u>KMP Related Party Declarations</u>	<u>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</u>
<u>Related Party Register</u>	
<u>Transactional information and documentation the subject of a Related</u>	

<u>Party Transaction with Council</u>	<u>of individuals.</u>
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### **6.1 — Identification of Key Management Personnel (KMP)**

Key Management Personnel (KMP) are defined in the *Regulation* to include Councillors<sup>1</sup>, the Chief Executive Officer<sup>2</sup> and Senior Executive Employees<sup>4</sup>. AASB 124 defines KMP's as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity".

KMP's for the Council are considered to include:

- Councillors (including the Mayor);
- Chief Executive Officer;
- Senior Executive Officers (including Directors and the Chief Financial Officer)
- Procurement Coordinator; and
- Coordinator Contracts.

### **6.2 — 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 members of the family of a person*.
- 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 of 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) Key Management Personnel (KMP) of Council
- c) Close family members of KMP;
- d) Possible close family members of KMP's; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.
- f) —

### **6.3 — Review of Related Parties**

A review of KMP's and their related parties will be completed every 6 months.

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

<sup>2</sup> As defined under the Local Government Act 2009.

~~Particular events, such as a change of Councillors, Chief Executive Officer or Senior Executive Officers or a corporate restructure, 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.~~

~~Procedures for KMP self-assessment are detailed in Council's Related Party Disclosures Corporate Standard.~~

#### ~~6.4 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 amount of returns.~~

~~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.~~

#### ~~6.5 Required Disclosures & Reporting~~

~~AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:~~

- ~~1. *Disclosure of any related party relationship*—must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable); whether or not there have been transactions within the relevant reporting period.~~
- ~~2. *KMP Compensation Disclosures*—must disclose in the annual financial statements KMP for each of the categories of compensation (as defined in the definitions of this Policy) in total.~~

#### ~~6.6 Related Party Transactions Disclosures~~

~~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; and~~
- ~~• Settlements of liabilities on behalf of Council or by Council on behalf of the related party.~~

~~Council must disclose all **material** and **significant** Related Party Transactions in its annual financial statements and include the following detail:~~

- ~~(i) The nature of the related party relationship; and~~
- ~~(ii) Relevant information about the transactions including:~~

- ~~a) The amount of the transaction;~~
- ~~b) The amount of outstanding balances, including commitments, and
  - ~~i. Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and~~
  - ~~ii. Details of any guarantee given or received~~~~
- ~~c) Provision for doubtful debts related to the amount of outstanding balances; and~~
- ~~d) The expense recognised during the period in respect of bad or doubtful debts due from related parties.~~

~~The following matters must be considered in determining the materiality and significance of any related party transactions:~~

- ~~(i) Significance of transaction in terms of size;~~
- ~~(ii) Whether the transaction was carried out on non-market terms;~~
- ~~(iii) Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;~~
- ~~(iv) Whether the transaction is disclosed to regulatory or supervisory authorities;~~
- ~~(v) Whether the transaction has been reported to senior management; and~~
- ~~(vi) Whether the transaction was subject to Council approval.~~

~~Regard must also be given for transactions that are collectively, but not individually significant.~~

~~Disclosures that Related Party Transactions were made on terms equivalent to those that prevail in arm's length transactions can only be made if such terms can be substantiated.~~

~~All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.~~

#### ~~6.7 Review of Related Party Transactions~~

~~A review of all Related Party Transactions will be completed every 6 months.~~

~~Other administrative requirements for Related Party Activities generally and requirements for identifying related party transactions is detailed in the Related Party Disclosures Corporate Standard.~~

## **7.0 ATTACHMENTS:**

~~Nil. What is a Related Party of Council?~~

## **8.0 REVIEW TRIGGER:**

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

1. The related legislation/documents are amended or replaced.
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	21 June 2016	G/16/2824	FCGC/16/0026 went to Finance & Corporate



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Approved			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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**LEISA DOWLING**  
**CHIEF EXECUTIVE OFFICER**

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

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

