

Strathbogie Shire Council Related Party Disclosures Policy

November 2023



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Related Party Disclosures Policy

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Responsible Officer:	Chief Financial Officer

PART 1 POLICY

1. PURPOSE

The purpose of this policy is to provide guidance in the application of and compliance with the Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124) and the Australian Implementation Guidance for Not-for-profit Public Sector Entities, and to ensure transparency to community regarding any related party transactions.

2. POLICY STATEMENT

The objective of the Policy is to ensure that the existence of certain related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on the financial statements are properly identified, recorded in Council's systems and disclosed in Council's Financial Statements in compliance with AASB 124.

3. APPLICATION OF THIS POLICY

This policy applies to staff and Councillors who have related party transactions which occur between Council, Key Management Personnel (KMP) and related parties.

4. ACCOUNTABILITY AND RESPONSIBILITIES

Role	Responsibilities
Chief Financial Officer	Responsible for the review and oversight of this policy
Finance Department	Responsible for maintaining a register of related parties

5. DEFINITIONS

Term	Meaning
AASB 124	AASB 124 Related Party Disclosures.
Arm's length terms	Terms between parties that are reasonable in the circumstances of the transactions that would result from: <ul style="list-style-type: none"> • neither party bearing the other any special duty or obligation; and • the parties being unrelated and uninfluenced by the other; and • each party having acting in its own interest
Associate	In relation to an entity (the first entity), and entity over which the first entity has a significant influence.
Close family members or close family members of the family	In relation to a key management person, family members who may be expected to influence, or be influenced by, that key management person in their dealings with Council and include:

	<ul style="list-style-type: none"> • that person's children and spouse or domestic partner • children of that person's spouse or domestic partner; and • dependants of that person or that person's spouse or domestic partner. <p>For the purpose of the AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the key management person in their dealings with Council.</p>
Control	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> • power over the entity; and • exposure or rights to variable returns from involvement with the entity; and • the ability to use power over the entity to affect the amount of returns received (as determined in accordance within AASB 10 Consolidated Financial Statements.)
Council	Strathbogie Shire Council
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint venture	An arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.
Joint venturer	A party to a joint venture that has joint control of that venture
Key management personnel or key management person	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are:</p> <ul style="list-style-type: none"> • the Mayor • Councillors • the Chief Executive Officer • the Directors, Executive Managers and Managers directly reporting to the Chief Executive Officer
Ordinary citizen transactions	<p>Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length and in the ordinary course of carrying out Council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> • paying rates and utility charges • using Council's public
Related party	<p>A person or entity that is related to Council pursuant to the definition contained in AASB 124, paragraph 9. Examples of related parties of Council are:</p> <ul style="list-style-type: none"> • Council subsidiaries

	<ul style="list-style-type: none"> • key management personnel • close family members of key management personnel • entities that are controlled or jointly controlled by key management personnel or their close family members
Related party transaction	<p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged. Examples of related party transactions are:</p> <ul style="list-style-type: none"> • purchases or sales of goods • purchases or sales of property and other assets • rendering or receiving of services • rendering or receiving of goods • leases • transfers under licence agreements • transfers under finance arrangements • provision of guarantees (given or received) • commitments to do something if a particular event occurs or does not occur in the future • settlement of liabilities on behalf of Council or by Council on behalf of that related party.
Significant influence	The power to participate in the financial and operating policy decision of another entity but is not control or joint control of those policies, as determined in accordance with AASB 128 Investments in Associated and Joint Ventures
VAGO	Victorian Auditor General's Office

6. DISCLOSURE REQUIREMENTS

6.1 Disclosures Required

To comply with AASB 124, for annual periods beginning on or after 1 July 2016, Council will make the following disclosures in its Financial Statements:

(a) Information on key management personnel (KMP) compensation in total and for each of the following categories:

- (i) short-term employee benefits
- (ii) post-employment benefits
- (iii) other long term benefits and
- (iv) termination benefits.

The compensation totals may be disclosed in dollar ranges.

(b) Related party transactions specified in Section 6.2 will be disclosed for any material transactions with the following persons during the periods covered by the Financial Statement:

- (i) Council's key management personnel
- (ii) Other related parties, comprising:

- a close family member of a key management personnel of Council
- entities controlled or jointly controlled by a key management personnel of Council
- entities controlled or jointly controlled by a close family member of a key management personnel of Council
- other entities as specified in AASB 124, paragraph 9(b)(iii), (iv), (v) and (viii)

Note – as at the date of this Policy Council did not have any subsidiaries and is not part of any joint ventures. It has one associated entity – Goulburn Valley Regional Library Corporation.

6.2 Disclosed Information

For each category of related party transactions specified in Section 6.1, Council will disclose the following information in Council's Financial Statements where applicable:

- (a) the nature of the related party relationship
- (b) the amount of the transactions
- (c) 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 settlement; and
 - (ii) details of any guarantees given or received
- (d) provisions for doubtful debts related to the amount of outstanding balances; and
- (e) any expense recognised during the period in respect of bad or doubtful debts due from related parties. For each related party disclosed Council will disclose information above separately and will also disclose the name of the related party subject to compliance with the *Privacy and Data Protection Act 2014*. The disclosures will be subject to a materiality assessment see Section 6.3.

6.3 Materiality

Related party transactions will only be disclosed where they are considered to be material.

AASB 124 states that the type of transactions intended to be disclosed are those which the users of the accounts would find necessary to understand the potential effect of the relationship on the financial statements.

For transparency, Council has decided to have a lower materiality threshold than outlined in the accounting standards. Council will disclose all related party transactions above \$10,000 based on the requirements set out above in Section 6.2.

In regard to the disclosure of transactions below \$10,000, the Chief Financial Officer will make an assessment of the nature of the related party transaction, in the determination of materiality.

Any proposed non-disclosures of related party transactions below \$10,000 which are not considered ordinary citizens transactions will be referred to Councils Audit and Risk Committee.

7. RECORDING RELATED PARTY INFORMATION AND IDENTIFYING TRANSACTIONS

7.1 Key Management Personnel Disclosure of Related Parties

Key management personnel must provide a related party disclosure in the form set out in the attachments, notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, excluding ordinary citizens transactions, to the Director People and Governance by no later than the following periods:

- (a) 30 days after a key management personnel commences their term or employment with Council
- (b) 30 June each year.
- (c) on the day of key management personnel terminates their position or terminate their employment with the council.
- (d) on the day of resignation from the position of councillor, dismissal of the position of councillor or end of council term.

7.2 Suspected Related Party Transaction

If a key management personnel suspects that a transaction may constitute a related party transaction, the key management person should discuss a related party disclosure to the Chief Financial Officer for consideration and determination.

7.3 Exclusions

The notification requirements in this section do not apply to:

- (a) related party transactions that are ordinary citizen transactions not assessed as being material and
- (b) Mayor and Councillors expenses incurred in accordance with the Councillor Expenses Policy.

7.4 Register of Related Parties

A register of related parties will be maintained by the Finance Department. The register will be based on the disclosures and any other related parties identified as part of the review process.

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

7.5 Identifying Related Parties Transactions

The Finance Department will undertake an annual review for transactions in its systems with related parties that are included on the register. The review will be undertaken after the 30 June declarations have been received. The systems reviewed include accounts receivable, accounts payable and payroll.

As part of the review a search will also be conducted for potential related parties that have not been included in the register.

The potential related party transactions identified will then be assessed to determine whether they are:

- ordinary citizens transactions
- material
- otherwise excluded from disclosure under AASB124

A review of transactions will then be undertaken and where the transactions meet the criteria outlined in section 1(b) they will be included in the notes to the annual Financial Statements accordance with Section 7.2.

The annual review process and the findings will be documented. The documentation will be available for inspection by the Victorian Auditor General's Office (VAGO) when the annual audit of Councils Financial statements is undertaken.

7.6 Information Privacy

Information provided by key management personnel and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance, financial audit or legal reasons only.

8. RELATED POLICIES AND LEGISLATION

Legislation

- *Local Government Act 2020*
- *Local Government Act 1989*
- *Freedom of Information Act 1982*
- *Privacy and Data Protection Act 2014*
- AASB 124 Related Party Disclosures
- Australian Implementation Guidance for Not-for-profit Public Sector Entities
- Local Government – Accounting for Related Party Disclosures

Other Related Documents

- Councillors Expenses Policy
- Councillor Code of Conduct
- Procurement Policy
- Staff Code of Conduct CEO Directive
- Related Party Transaction Declaration Form
- Governance Rules 2023

9. POLICY REVIEW

Council may review this policy at any time and at least two years from the date of adoption.

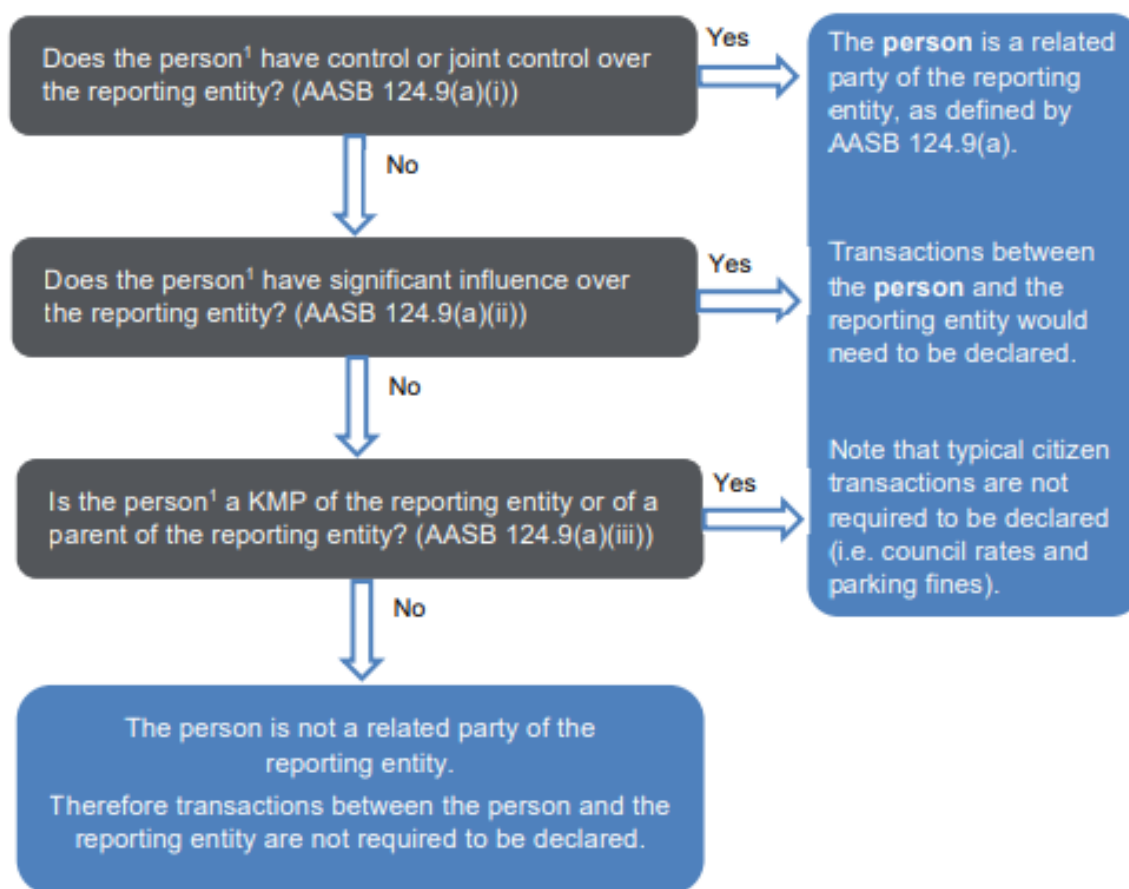
Minor amendments to the policy may be authorised by the CEO at any time where such changes do not alter the substance of the policy (eg a change to the name of a related document, or a change in legislation).

PART 2 APPENDICES

Appendix One – How To Identify A Related Person

This flow chart will assist staff to identify whether a person would be considered a related party of the reporting entity.

For the purposes of this flow chart, 'person' means the key management personnel or their close family member.



Appendix Two

Sample of Related Party Transactions – Declaration Form (Document 881746)



RELATED PARTY TRANSACTIONS Declaration Form

Key Management Personnel (KMP) Name	
Position Held	
Period of Time in Position (Date Range)	

Name Of Individual or Entity	Nature of Relationship	Nature of Transaction	Comments

I declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members so as to comply with the Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124).

I make this declaration after reading the fact sheet supplied by Council and Local Government – Accounting for Related Party Disclosures FG-3 Local Government Victoria. I understand this information will be relied upon to prepare Council's disclosure in the Annual Report.

Name	
Signature	
Date	