



## GLEN INNES SEVERN COUNCIL Related Party Disclosures Policy

<b>RESOLUTION NUMBER:</b>	12.11/20	<b>MEETING:</b>	26 November 2020
	15.03/18		22 March 2018
	13.02/17		23 February 2017

### OBJECTIVES

Glen Innes Severn Council (Council) embraces the values of Respect, Integrity, Courage, Honesty and Transparency.

One of Council's strategic objectives is to provide accountable and effective financial management. To adhere to these values and to ensure that Council fulfils this objective, this policy has been prepared.

The objective of this Policy is to ensure that Council's financial statements comply with the expanded disclosure requirements under the Australian Accounting Standard *AASB 124 Related Party Disclosures* to include not for profit public sector entities. These disclosures become effective for annual reporting periods beginning on or after 1 July 2016 and draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances with such parties.

### DEFINITIONS

<b>arm's length terms</b>	Terms between parties that are reasonable in the circumstances of the transaction that would result from: <ul style="list-style-type: none"> <li>(a) neither party bearing the other any special duty or obligation; and</li> <li>(b) the parties being unrelated and uninfluenced by the other; and</li> <li>(c) each party having acted in its own interest.</li> </ul>
<b>associate</b>	In relation to an entity ( <i>the first entity</i> ), an entity over which the first entity has significant influence.

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<p><b>close family members or close members of the family</b></p>	<p>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:</p> <p>(a) that person’s children and spouse or domestic partner;</p> <p>(b) children of that person’s spouse or domestic partner; and</p> <p>(c) dependants of that person or that person’s spouse or domestic partner.</p> <p>For the purpose of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) <i>if</i> they could be expected to influence, or be influenced by, the key management person in their dealings with Council.</p>
<p><b>control</b></p>	<p>Control of an entity is present when there is:</p> <p>(a) power over the entity; and</p> <p>(b) exposure or rights to variable returns from involvement with the entity; and</p> <p>(c) the ability to use power over the entity to affect the amount of returns received,</p> <p>as determined in accordance with AASB 10 <i>Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance)</i>.</p>
<p><b>joint control</b></p>	<p>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.</p>
<p><b>joint venture</b></p>	<p>An arrangement of which 2 or more parties have joint control and have right to the net assets of the arrangement.</p>

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<p><b>joint venturer</b></p>	<p>A party to a joint venture that has joint control of that joint venture.</p>
<p><b>key management personnel or key management person or KMP</b></p>	<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"> <li>(a) Mayor;</li> <li>(b) Councillors;</li> <li>(c) General Manager;</li> <li>(d) Directors of each Directorate;</li> <li>(e) Chief Financial Officer (CFO);</li> <li>(f) Technical Services Engineer;</li> <li>(g) Quarry Manager;</li> <li>(h) Manager of Infrastructure Delivery;</li> <li>(i) Manager of Integrated Water Services.</li> </ul>
<p><b>ordinary citizen transactions</b></p>	<p>Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.</p> <p>Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> <li>(a) paying rates and utility charges;</li> <li>(b) using Council's public facilities after paying the corresponding fees.</li> </ul>
<p><b>related party</b></p>	<p>A person or entity that is related to Council pursuant to the definition contained in AASB 124, paragraph 9.</p> <p>Examples of related parties of Council are:</p> <ul style="list-style-type: none"> <li>(a) Council subsidiaries;</li> <li>(b) key management personnel;</li> <li>(c) close family members of key management personnel;</li> <li>(d) entities that are controlled or jointly controlled by key management personnel or their close family members.</li> </ul>

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<p><b>related party transaction</b></p>	<p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.</p> <p>Examples of related party transactions are:</p> <ul style="list-style-type: none"> <li>(a) purchases or sales of goods;</li> <li>(b) purchases or sales of property and other assets;</li> <li>(c) rendering or receiving of services;</li> <li>(d) rendering or receiving of goods;</li> <li>(e) leases;</li> <li>(f) transfers under licence agreements;</li> <li>(g) transfers under finance arrangements (example, loans);</li> <li>(h) provision of guarantees (given or received);</li> <li>(i) commitments to do something if a particular event occurs or does not occur in the future;</li> <li>(j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.</li> </ul>
<p><b>related party transactions notification or RPT Notification</b></p>	<p>A document entitled <i>Related Party Transactions Notification provided by Key Management Personnel</i> in the form set out in Attachment A.</p>
<p><b>significant influence</b></p>	<p>The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard <i>AASB 128 Investments in Associates and Joint Ventures, paragraphs 3, 5 and 6.</i></p>

**SCOPE**

This policy shall be applied in:

1. Identifying related party relationships; related party transactions, and ordinary citizen transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them;
2. Identifying information about the related party transactions for disclosure;
3. Establishing systems to capture and record related party transactions and information about those transactions;
4. Identifying the circumstances in which disclosure of the items in points (1) and (2) are required;
5. Determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with AASB 124.

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## BACKGROUND AND SOURCE OF LEGAL OBLIGATIONS

Related party relationships are a normal feature of commerce and business. Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

The sources of legal obligations behind this Policy include:

- Australian Accounting Standard AASB124 related party disclosures (AASB124);
- Australian Accounting Standard AASB10 consolidated financial statements (AASB10);
- *Local Government Act 1993*;
- *Local Government (General) Regulation 2005*;
- Council's Code of Conduct for Councillors;
- Council's Code of Conduct for Council Staff;
- Council's Code of Conduct for Council Committee Members, Delegates of Council and Council Advisers.

## AASB 124 DISCLOSURE REQUIREMENTS

(1) (**Disclosures**) Relevant to this policy, to comply with AASB 124, for annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified for related party transactions with, amongst others, the following persons during the periods covered by the financial statement:

- a. Council's key management personnel (KMP);
- b. other related parties, comprising:
  - c. a close family member of a key management person of Council;
  - d. entities controlled or jointly controlled by a key management person of Council;
  - e. entities controlled or jointly controlled by a close family member of a key management person of Council,

(2) (**Disclosed Information**) For each category of related party transactions specified in section 1(1), Council will disclose the following information in Councils' general purpose financial statements:

- a. the nature of the related party relationship;
- b. the amount of the transactions;

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- 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. the expense recognised during the period in respect of bad or doubtful debts due from related parties.

(3) (***In Aggregate or Separate***) For each related party category specified in section (1) above, Council will disclose information specified in section (2) for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council, having regard to the following criteria:

- a. the nature of the related party relationship;
- b. the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
- c. whether the transaction is carried out on non-arm's length terms;
- d. whether the nature of the transaction is outside normal day-to-day business operations,

based on the factors and thresholds determined by the Financial Accountant in consultation with the CFO, the Director Corporate and Community Services and the General Manager.

**IDENTIFYING RELATED PARTY TRANSACTIONS (RPT) WITH KEY MANAGEMENT PERSONNEL (KMP) AND THEIR CLOSE FAMILY MEMBERS**

(1) (***RPT Notifications***) Key management personnel (***KMP***) must provide a Related Party Transactions Notification (***RPT Notification***), in the form set out in Attachment A, 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, subject to section 6(6), to the General Manager by no later than the following periods during a financial year (***specified notification period***):

- a. 30 days after a KMP commences their term or employment with Council;
- b. 30 June except if an RTP Notification has already been received as a result of sub paragraph (a) above.

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(2) (**RPT Notification Form**) At least 30 days before a specified notification period, the Financial Accountant will provide KMPs with a RPT Notification form.

(3) (**Additional RPT Notifications**) Also, during a financial year, if a KMP knows of:

- a. any new or potential related party transaction that is required or likely to be required to be disclosed in Council’s financial statements; or
- b. any change to a previously notified related party transaction (including a change to a related party relationship),

the KMP must provide additional RPT Notifications notifying of the new or potential related party transactions or changes, by no later than 30 days after the KMP knows of the transaction or change.

(4) (**Suspected Related Party Transaction**) If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide a RPT Notification to the General Manager for consideration and determination.

(5) (**Other Notifications**) The notification requirements in this section are in addition to the notifications a KMP must make to comply with:

- a. for councillors, issues dealing with conflict of interest or pecuniary interest;
- b. for the General Manager and other senior officers who are KMPs, the Code of Conduct for Council Staff; and

(6) (**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 as determined under section (8) below; and
- b. for councillors, expenses incurred and facilities provided to a councillor during the financial year, under Council’s Payment of Expenses and Provision of Facilities to the Mayor and Councillors Policy.

(7) (**Identification and Extraction of Information relating to RPT’s**) The General Manager will identify and extract information specified against each notified related party transaction in Council’s financial system for the purpose of recording the related party transactions and associated information in the register of related party transactions.

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(8) (**Other Sources of Information**) To ensure all related party transactions are captured and recorded, the Financial Accountant may review other sources of information held by Council including, without limitation:

- a. a register of interests of a KMP and of persons related to the KMP;
- b. minutes of Council and committee meetings.

(9) (**Manual Investigation and Recording of Information**) For notified related party transactions that are not captured by Council’s finance system, the Financial Accountant will manually review the transactional documentation and record the information specified for the subject transaction in the register of related party transactions.

**ORDINARY CITIZEN TRANSACTIONS (OCT)**

(1) (**Non-material in Nature**) A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

(2) (**Material in Nature**) A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements related party transactions that are ordinary citizen transactions assessed to be material in nature.

(3) (**Materiality Assessment**) The Financial Accountant will review and assess the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the financial statements.

(4) (**Identification and Extraction of Information relating to OCT**) The Financial Accountant will identify and extract information against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council’s finance system for the purpose of recording the related party transactions and associated information in a register of related party transactions.

**REGISTER OF RELATED PARTY TRANSACTIONS**

(1) (**Maintain a Register**) The Financial Accountant 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 transaction assessed as being material in nature) during a financial year.

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(2) (**Contents of Register**) 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;
- d. whether the notified related party transaction is existing or potential;
- e. a description of the transactional documents the subject of the related party transaction;
- f. the disclosed information specified above.

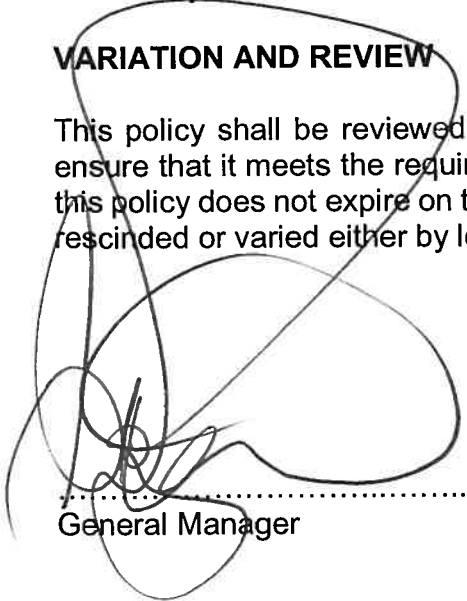
The CFO is responsible for ensuring that the required information as per this policy is disclosed in Council's financial statements to the extent, and in the manner, stipulated by AASB 124.

**IMPLEMENTATION AND COMMUNICATION**

This Policy will be communicated to all Relevant Parties by the CFO.

**VARIATION AND REVIEW**

This policy shall be reviewed every three (3) years, or earlier if deemed necessary, to ensure that it meets the requirement of legislation and the needs of Council. The term of this policy does not expire on the review date, but shall continue in force until superseded, rescinded or varied either by legislation or a new resolution of Council.



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General Manager

10/12/20  
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Date

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