

## BARCOO SHIRE COUNCIL POLICY *RELATED PARTIES DISCLOSURE*

Policy Number: EXG-011	Version: 1a
Classification: Administrative	Section: Executive-Governance
Date Adopted by Council: 15.03.2017	Resolution Number: 2017.03.25
Responsible Officer: Manager HR Communications and Governance/Finance Manager	Review: Note: This Policy is reviewed when any of the following occur: <ol style="list-style-type: none"> <li>1. The related information is amended or replaced.</li> <li>2. Other circumstances as determined from time to time by the Chief Executive Officer.</li> </ol> Notwithstanding the above, this Policy is to be reviewed at intervals of no more than two years.
Legislation: Local Government Act 2009; Local Government Regulation 2012	

### OBJECTIVE

The objectives of this Policy are to ensure that Key Management Personnel are clear in their obligations regarding the Disclosure of Related Parties, together with establishing the administrative framework required to produce auditable financial statements in the most efficient manner possible.

### POLICY STATEMENT

Barcoo Shire Council will ensure that Council's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and/or by transactions and outstanding balances, including commitments, with such parties.

Barcoo Shire Council will undertake to identify Key Management Personnel and manage its related party disclosures. For the purpose of disclosure requirements, there are no entities related to Council.

### DEFINITIONS

Word / Term	Definition
Council	means Barcoo Shire Council.
Entity	can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.
Key management personnel (KMP)	is defined in the Local Government Regulation 2012 to include Councillors, the Chief Executive Officer and Senior Executive Employees. Further defined in AASB 124 – Related Party Disclosures 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”. For the purpose of this policy, key management personnel will be aligned with the definition within the Local Government Regulation 2012.
KMP Compensation	includes all forms of consideration paid, payable or provided by Barcoo Shire Council in exchange for services provided, and includes: <ol style="list-style-type: none"> <li>1. 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;</li> <li>2. Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;</li> <li>3. 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</li> </ol>

	<p>end of the period, profit sharing, bonuses and deferred compensation;</p> <p>4. Termination benefits; and</p> <p>5. Share-based payment.</p>
Material (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.
Related party	is an affiliate; an employee; members of the immediate family of an employee; and persons having a controlling influence on controlled entities.
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.
Significant (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 related party outside a public service provider/ taxpayer relationship.

For the purpose of disclosure obligations as provided for in AASB 124, Related Party Disclosures, Key Management Personnel are:

- Councillors, including the Mayor
- Chief Executive Officer
- Director of Works
- Director of Corporate Services

## PROCEDURE

### 1.0 SUMMARY

According to Local Government Regulation 2012 - Section 177, general purpose financial statements by a Local Government must be prepared in compliance with the following documents. Each of the following is a prescribed accounting standard and published by the Australian Accounting Standards Board (AASB).

- Australian Accounting Standards;
- Statement of Accounting Concepts;
- Interpretation
- Framework for the preparation & presentation of financial statements.

**Related Party Disclosures** - the requirements of AASB124 will apply to Local Governments annual reporting periods beginning 1st July 2016 and has been confirmed by the AASB.

### 2.0 SCOPE

From 1st July 2016 Local Governments (Council) must disclose "Related Party" relationships, transactions and outstanding balances including commitments in the annual financial statements.

Related Parties include Councillors & Key Management Personnel, their close family members and any entities that they control or jointly control. Any transactions with these parties whether monetary or not will need to be identified and may need to be disclosed. Disclosure will only be made if a transaction occurs and the disclosure may be in aggregate.

In order to meet this requirement Council has a Policy titled – Barcoo Shire Council Related Parties Disclosure Policy that requires all Key Management Personnel to provide a six monthly declaration identifying:

- Their close family members;
- Entities that they control or associated with;
- Entities that their close family members control or jointly control.

This information will be subject to audit as part of the annual external audit by Queensland Audit Office.

**Who are Key Management Personnel (KMP)?**

KMP are persons having authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

**Who are close family members of KMP?**

These are family members who may be expected to influence, or be influenced by, that person in their dealings with council and include:

- That person’s children and spouse or domestic partner;
- Children of that person’s spouse or domestic partner; and
- Dependents of that person or that person’s spouse or domestic partner.
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The following table provides a guide in identifying close family members:

Definitely a close family member	May be a close family member
Your spouse / domestic partner	Your brothers and sisters, if they could be expected to influence or be influenced by you in their dealings with council
Your children	Your aunts & uncles and cousins, if they could be expected to influence or be influenced by you in their dealings with council
Your dependants	Your parents & grandparents, if they could be expected to influence or be influenced by you in their dealings with council
Children of your spouse / domestic partner	Your nieces & nephews, if they could be expected to influence or be influenced by you in their dealings with council
Dependants of your spouse / domestic partner	Any other member of your family, if they could be expected to influence or be influenced by you in their dealings with council

**What is an entity?**

Entities include companies, trusts, incorporated & unincorporated associations such as clubs and charities, joint ventures and partnerships.

You control an entity if you have:

- Power over the entity;
- Exposure, or rights to variable returns from involvement with the entity; and
- The ability to use your power over the entity to affect the amount of your returns

To jointly control an entity there must be contractually 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. The purpose of this Policy is to provide guidance to Barcoo Shire Councillors and Key Management Personnel (KMP) to ensure Council’s compliance with AASB 124 ‘Related Party Disclosures’. This Policy will provide a

systematic approach to discern related parties, for approved related party transactions and for proper identification, recording and reporting of such transactions.

This Policy will be applied in:

- Identifying KMP;
- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between Council and its related parties;
- Identifying the circumstances in which disclosure is required; and
- Determining the specific disclosures to be made.

## **2.1 PROVISIONS**

### **2.1.1 Identification of Key Management Personnel**

KMP are defined in AASB 124 as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director/manager (whether executive or otherwise) of that entity.

In the context of Barcoo Shire Council, KMP are considered to include:

- The Mayor and Councillors
- Chief Executive Officer
- Director of Corporate Services
- Director of Works
- All Personnel with budget delegation or control

### **2.1.2 Identification of Related Parties**

Having regard to the definitions contained in the AASB 124, a related party is a person or entity that is related to Barcoo Shire Council as outlined below.

Persons considered to be related to Barcoo Shire Council.

A person or a close member of that person's family is related to Barcoo Shire Council if that person:

- Has control or joint control of Barcoo Shire Council;
- Has significant influence over Barcoo Shire Council; or
- Is a member of the KMP of Barcoo Shire Council.

A close member of the family of a person, are those family members who may be expected to influence, or be influenced by, that relevant person in their dealings with Barcoo Shire Council and include:

- 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.

### **2.1.3 Practical Examples of Related Persons**

Below are some practical examples of possible related persons to Barcoo Shire Council:

- The children of a member of Barcoo Shire Council's KMP.
- The spouse or domestic partner of a member of Barcoo Shire Council's KMP.
- The children of a spouse or domestic partner of a member of Barcoo Shire Council's KMP

#### **2.1.4 Entities considered to be related to Barcoo Shire Council**

An entity is considered related to Barcoo Shire Council if any of the following conditions applies:

- The entity and Barcoo Shire Council are members of the same corporate group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- Both entities are joint ventures of the same third party.
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- The entity is a post-employment benefit plan for the benefit of employees of either Barcoo Shire Council or an entity related to Barcoo Shire Council.
- The entity is controlled or jointly controlled by a person related to Barcoo Shire Council (outlined above).
- A person who has control or joint control of Barcoo Shire Council has significant influence over the relevant entity or is a member of the KMP of the entity.
- The entity, or any member of the group of which it is a part, provides KMP services to Barcoo Shire Council.

#### **2.1.5 Practical Examples of Related Entities**

Below are some practical examples of possible related entities to Barcoo Shire Council:

- A company, which is controlled or jointly controlled by a member of Barcoo Shire Council's KMP.
- A company, which is controlled or jointly controlled by a close family member of Barcoo Shire Council's KMP.
- A subsidiary company of Barcoo Shire Council.

## **2.2 REQUIRED DISCLOSURES**

AASB 124 provides that Barcoo Shire Council must disclose the following financial information in the financial statements for each financial year period.

### **2.2.1 Disclosure of relationship between Barcoo Shire Council and its subsidiaries**

Barcoo Shire Council must disclose in the annual financial statements its relationship with any subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.

### **2.2.2 KMP Compensation Disclosures**

Barcoo Shire Council must disclose in the annual financial statements KMP compensation (as defined in definitions) in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits; and
- Termination benefits.

### **2.2.3 Related Party Transactions Disclosures**

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. 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 Barcoo Shire Council or by Barcoo Shire Council on behalf of the related party.

Barcoo Shire Council must disclose all material and significant related party transactions in the annual financial statements and include the following detail:

- The nature of the related party relationship; and
- Relevant information about the transactions including:
  - The amount of the transaction;
  - The amount of outstanding balances, including commitments, and:
  - Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
- Details of any guarantee given or received;
  - (i) Provision for doubtful debts related to the amount of outstanding balances; and
  - (ii) 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:

- Significance of transaction in terms of size;
- Whether the transaction was carried out on non-market terms;
- Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;
- Whether the transaction is disclosed to regulatory or supervisory authorities;
- Whether the transaction has been reported to senior management; and
- 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 non-exempt transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, and to determine the significance of such transactions.

#### **2.2.4 Practical Examples of Transactions to be disclosed**

Below are some practical examples of transactions, which may be considered to be disclosed:

- A KMP of Barcoo Shire Council is the Director of a company, which provided services to Barcoo Shire Council during the relevant period.
- A KMP of Barcoo Shire Council is a Director of an entity, which Barcoo Shire Council paid a membership fee to for the relevant period.

#### **2.2.5 Exempt Related Party Disclosures**

Related party transactions are not required to be disclosed in situations where a similar transaction would be applicable to the community generally and on similar terms. For example, the payment of rates by a KMP or the payment of the entry fee by a KMP to utilise the Barcoo Shire Pool.

## **2.3 AUTHORITIES AND ACCOUNTABILITIES**

### **2.3.1 KMP Responsibilities**

KMP will disclose all related parties in accordance with this guideline and AAS124.

### **2.3.2 Finance Manager**

The Manager Financial Services will identify transactions within Council's finance system for all advised KMP and related parties; and provide summary reports quarterly.

Annually, the Manager Financial Services will review all related party transactions to determine materiality and significance for the purpose of drafting the required disclosures in Council's annual financial statements.

The Manager of Financial Services will also provide guidance to Council's KMP in terms of this Policy and required disclosures.

The Manager of Financial Services will provide KMP compensation details for inclusion in Council's annual financial statements.

## **ASSOCIATED DOCUMENTS AND POLICIES**

*Australian Accounting Standards Board Standards.*