



	<ul style="list-style-type: none"> <li>• children of that person’s spouse or domestic partner; and</li> <li>• dependants of that person or that person’s spouse or domestic partner; and</li> <li>• Any other member of family (e.g. siblings, parents) if they could be expected to influence or be influenced by that person.</li> </ul> <p><b>Ordinary Citizens transactions</b> - these are transactions that any citizen may have with Council, eg paying rates, animal registrations, kindergarten fees, gym memberships. These transactions are at arms length and are generally considered to be immaterial and would not be disclosed in the Financial statements.</p> <p><b>Related parties</b> - includes entities related to Council, Key Management Personnel (KMP), close family members of KMP and any entities that are controlled or jointly controlled by KMP (eg a business owned by KMP) and their close family members. Control over an entity will exist where a KMP has power over an entity, exposure or rights to returns due to involvement in an entity and the ability to use their power over an entity to affect the amount of their returns. To jointly control an entity there must be a contractual agreement to share control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.</p> <p><b>Related party transactions</b> are transactions between Council and related parties (defined above) regardless of whether an amount has been charged. Some common examples of transactions that would need to be disclosed if they are with a related party and considered to be material are:</p> <ul style="list-style-type: none"> <li>- purchases or sales of goods</li> <li>- purchases or sales of property or other assets</li> <li>- rendering or receiving services</li> <li>- leases</li> </ul> <p><b>Significant influence</b> 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>
<b>References:</b>	<p>Australian Accounting Standards – AASB 124 Related Party Disclosures, <i>AASB 128 Investments in Associates and Joint Ventures</i></p> <p>Local Government – Accounting for Related Party Disclosures. Local Government Victoria</p>
<b>Related Policies:</b>	<p>Councillor Code of Conduct Policy</p> <p>Councillor Support Policy</p> <p>Staff Code of Conduct</p>
<b>Related Legislation:</b>	<p>Australian Accounting Standard – AASB 124 Related Party Disclosures</p> <p>Local Government Act 1989</p> <p>Privacy and Data Protection Act 2014</p>

## **BACKGROUND**

This Policy has been developed to provide guidance in complying with the *Local Government Act*, section 413(3), which requires Council to prepare its Financial Statements in compliance with Australian Accounting Standards. The relevant standard for the purpose of this Policy is *AASB 124 Related Party Disclosures*, July 2015 (AASB 124).

## **POLICY STATEMENT**

Council in complying with disclosure requirements in AASB 124, will;

- (1) Establish processes to capture and record the related party transactions and information about those transactions and
- (2) identify related party relationships and related party transactions
- (3) identify information about the related party transactions;
- (4) determine where disclosures need to be made about the transactions in the Financial Statements for the purpose of complying with AASB 124.

## **1 DISCLOSURE REQUIREMENTS**

### **1.1 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 1.2 will be disclosed for any material transactions with the following persons during the periods covered by the Financial Statement:
  - (i) Council's KMP;
  - (ii) Other related parties, comprising:
    - a close family member of a KMP of Council;
    - entities controlled or jointly controlled by a KMP of Council;
    - entities controlled or jointly controlled by a close family member of a KMP 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 - Goldfields Library Corporation. If this changes in future then further disclosures may be required that are not listed above.*

### **1.2 Disclosed Information**

For each category of related party transactions specified in Section 1.1, 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 1.3.

### **1.3 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 1.2.

In regards to the disclosure of transactions below \$10,000, the Manager Finance 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 Committee.

## **2. RECORDING RELATED PARY INFORMATION AND IDENTIFYING TRANSACTIONS**

### **2.1 KMP disclosure of related parties**

KMP must provide a related party disclosure 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, excluding ordinary citizens transactions, to the Manager Organisational Development by no later than the following periods:

- (a) 30 days after a KMP commences their term or employment with Council;
- (b) 30 June each year.
- (c) Within 30 days after there has been a change to the related parties since the last declaration.

### **2.2 Suspected Related Party Transaction**

If a KMP suspects that a transaction may constitute a related party transaction, the KMP should discuss a related party disclosure to the Manager Finance for consideration and determination.

### **2.3 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 Support Policy.

### **2.4 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;

## **2.5 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 1.2.

The annual review process and the findings will be documented. The documentation will be available for inspection by the Victorian Auditor Generals Office when the annual audit of Councils Financial statements is undertaken.

