

Related Party Disclosures

Purpose

Local Government Regulation 2012, section 177 requires Council to prepare its general-purpose financial statements in compliance with Australian Accounting Standards and, for the purpose of this policy, AASB124. To assist Council in complying with disclosure requirements concerning councillors, key management personnel, their close family members and entities controlled or jointly controlled by any of them stipulated under the *Australian Accounting Standard AASB124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities (AASB 124)*. To ensure that information about such transactions is properly identified, recorded in Council's systems and disclosed in Council's general purpose financial statements in compliance with AASB124. Local Government Regulation 2012, section 177 requires Council to prepare its general-purpose financial statements in compliance with Australian Accounting Standards and, for the purpose of this policy, AASB124.

Scope

This policy is to be applied in:

- i. Identifying related party relationships initially, together with identifying ordinary citizen transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them
- ii. Identifying information about the related party transactions for disclosure
- iii. Establishing systems to capture and record the related party transactions and relevant information
- iv. Identifying the circumstances in which *disclosure* of the items in (i) and (ii) is required
- v. Determining the disclosures to be made in the general-purpose financial statements for the purpose of complying with AASB124

Term	Meaning
<i>Arm's length terms</i>	Terms between parties that are reasonable in the circumstances of the transaction that would result from: <ol style="list-style-type: none"> a. Neither party bearing the other any special duty or obligation, and b. The parties being unrelated and uninfluenced by the other, and c. Each party having acted in its own interest
<i>Associate</i>	In relation to an entity (the first entity), an entity over which the first entity has significant influence
<i>Close family members</i>	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. This will include: <ol style="list-style-type: none"> a. That person's children and spouse or domestic partner b. Children of that person's spouse or domestic partner c. Dependants of that person or that person's spouse or domestic partner <p>For the purpose of AASB124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins and potentially close</p>

	friends) if they could be expected to influence, or be influenced by, the key management person in their dealings with Council.
Control	<p>Control of an entity is present where there is:</p> <ol 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 <p>As determined in accordance with AASB10 <i>Consolidated Financial Statements, paragraphs 5-18, and Appendices A (Defined Terms) and B (Application Guidance)</i></p>
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 the right to the net assets of the arrangement.
Joint venturer	A party to a joint venture that has joint control of that joint venture.
Key management personnel / Key management person / KMP	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Key management personnel include (but are not limited to):</p> <ol style="list-style-type: none"> The Mayor Councillors General Manager Directors Any other staff required to complete a Pecuniary Interests Return
Ordinary citizens transactions	<p>Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's-length terms and in the ordinary course of conducting Council's functions and activities. Examples of ordinary citizen transactions assess to be not material in nature are:</p> <ol style="list-style-type: none"> Paying rates and water charges Using Council's public facilities after paying the corresponding fees.
Related party	<p>A person or entity that is related to Council pursuant to the definition contained in AASB124, paragraph 9. Examples of related parties of Council are:</p> <ol 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 Council subsidiaries

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> <ol style="list-style-type: none"> a. Purchases or sales of goods b. Purchases or sales of property and other assets c. Rendering or receiving of services d. Rendering or receiving of goods e. Leases f. Transfers under licence agreements g. Transfers under finance arrangements (example, loans) h. Provision of guarantees (given or received) i. Commitments to do something if a particular event occurs or does not occur in the future j. Settlement of liabilities on behalf of Council or by Council on behalf of that related party
Related party transactions return / RPT Return	Council form entitled <i>Related Party Transactions Return provided by Key Management Personnel</i> as set out in Attachment A
Significant influence	The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those entities as determined in accordance with AASB128 <i>Investments in Associates and Joint Ventures, paragraphs 3,5 and 6.</i>

Policy Principles

1. AASB124 DISCLOSURE REQUIREMENTS

- i. **(Disclosures)** For annual periods beginning on or after 1 July 2016 (in order to comply with AASB124), Council will disclose in its general-purpose financial statements the information specified in 3(ii) for related party transactions with the following persons during the periods covered by the financial statements:
 - a. Council's key management personnel (includes, but is not limited to, all councillors and staff who submit a pecuniary interest return)
 - b. Other related parties comprising:
 - A close family member of a key management person of Council
 - Entities controlled (or jointly controlled) by a key management person of Council
 - Entities controlled (or jointly controlled) by a close family member of a key management person of Council
- ii. **(Disclosed Information)** For each category of related party transactions specified in section 3(i), the following information will be disclosed in Council's general purpose financial statements:
 - a. The nature of the related party relationship
 - b. The amount of the transactions
 - c. 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 settlement; and
 - Details of any guarantees given or received
 - d. Provisions for doubtful debts related to the amount of outstanding balances
 - e. Any expense recognised during the period in respect of bad or doubtful debts due from related parties.

- iii. **(In Aggregate or Separate)** For each related party category Council will disclose information specified in 3(ii) for related party transactions of a similar nature in aggregate except where separate disclosure is necessary to 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 transactions are conducted on non-arm's length terms
 - d. Whether the nature of the transactions is outside normal day-to-day business operations

2. IDENTIFYING RELATED PARTY TRANSACTIONS

- i. **(Related Party Transaction Returns)** Key management personnel (*KMP*) must provide a Related Party Transaction Return (*RPT Return*) 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 4(vi), to the General Manager by no later than the following periods during a financial year:
 - a. 30 days after the commencement of the application of this policy
 - b. 30 days after a KMP commences their term or employment with Council
 - c. 31 December
 - d. 30 June
- ii. **(RPT Return Form)** At least 30 days before a specified notification period, the Director of Corporate and Community will provide KMPs with an RPT Return form as set out in Attachment A.
- iii. **(Additional RPT Returns)** 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
 - b. Any change to a previously notified related party transaction (including a change to a related party relationship)
The KMP must provide additional RPT Returns (forms available on request) notifying the new or potential related party transactions or changes, by no later than 30 days after the KMP knows of the transaction or change.
- iv. **(Suspected Related Party Transaction)** If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide an RPT Return to the General Manager for consideration and determination.
- v. **(Other Notifications)** The notification requirements in this section 4 are in addition to the notifications a KMP must make to comply with the Local Government Act (1993), the Code of Conduct and the Pecuniary Interests declaration.
- vi. **(Exclusions)** The notification requirements in this section 4 do not apply to:
 - a. Related party transactions that are ordinary citizen transactions not assessed as being material as determined under section 4(viii)
 - b. For councillors, expenses incurred and facilities provided to a councillor during the financial year under Council's policy GOV-POL-6 Councillor Expenses and Provision of Facilities.
- vii. **(Digital Extraction)** The Financial Accountant will digitally identify and extract information specified in 3(ii) against each notified related party transaction in Council's computerised business systems for the purpose of recording the related party transactions and associated information in the register of related party transactions.

- viii. **(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
- ix. **(Manual Investigation and Recording of Information)** For notified related party transactions that are not captured by Council's computerised business systems, the Financial Accountant will manually review the transactional documentation and record the information specified in 3(ii) for the subject transaction in the register of related parties.

3. ORDINARY CITIZEN TRANSACTIONS

- i. **(Non-Material in Nature)** A KMP is not required to complete an RPT Return, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.
- ii. **(Material in Nature)** A KMP is required to complete an RPT Return and Council will disclose in its financial statements in accordance with section 3, related party transactions that are ordinary citizen transactions assessed to be material in nature.
- iii. **(Materiality Assessment)** The Director of Corporate and Community will review and assess the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions is necessary for an understanding of the effects of the related party transactions on the financial statements having regard to the criteria specified in section 3(iii).
- iv. **(Digital Extraction)** The Financial Accountant will digitally identify and extract information specified in section 3(ii) against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's computerised business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

4. REGISTER OF RELATED PARTY TRANSACTIONS

- i. **(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 in section 3(ii) for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.
- ii. **(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 which form the subject of the related party transaction
 - f. The information specified in section 3(ii)
- iii. The Financial Accountant is responsible for ensuring that the information specified in section 3(ii) is disclosed in Council's financial statements to the extent, and the manner, stipulated by AASB124, subject to section 3(iii).

5. INFORMATION PRIVACY

Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in an RPT Return by a KMP or contained in a register of related party transactions, for any other purpose or to any other person except with the prior written consent of the subject KMP.

The following persons are permitted to access, use and disclose the information (including personal information) provided in an RPT Return or contained in a register of related party transactions for the purposes specified in section 7(g):

- a. A councillor
- b. The General Manager
- c. The Director of Corporate and Community being responsible for the preparation of financial reporting
- d. Financial officers within Council's Finance Section responsible for the preparation of financial reporting authorised by the Director of Corporate and Community.
- e. Members of Councils Audit committee
- f. An auditor of Council
- g. A person specified above may access, use and disclose information (including personal information) in an RPT Return or contained in a register of related party transactions for the following purposes:
 - a. To assess and verify a notified related party transaction
 - b. To reconcile identified related party transactions against those notified in an RPT return or contained in a register of related party transactions
 - c. To comply with the disclosure requirements of AASB124
 - d. To verify compliance with the disclosure requirements of AASB124

Responsibilities & Review

The Finance Business Unit will:

- Provide all necessary administrative support for the operation of this policy
- Develop and document any procedures for the effective implementation of this policy
- Keep sufficient records to enable monitoring of compliance with this policy and provide information required for Integrated Planning and Reporting purposes and internal organisational performance measurement.
- The Policy will be reviewed every four years. The next renewal date shall be in 2026.

References

This policy is to be read in conjunction with the following:

Legislation	<i>Local Government Act (1993)</i>
	<i>Local Government Regulation (2005)</i>
Policies and procedures	<i>Australian Accounting Standards</i>
	<i>Councillor Code of Conduct</i>
	<i>Employee Code of Conduct</i>

Approval History

Stage	Date	Comment	MagiQ Reference
Original	22 February 2017	Council Meeting	461783
Review	29 June 2022	Minor	172848

Ownership and Approval

Responsibility	Role
Author	Chief Financial Officer
Owner	Chief Financial Officer
Endorser	EMT
Approver	Council

Attachment A

**Related Party Transactions
Return by
Key Management Personnel**

[Note: This document is confidential. See Council's Related Party Disclosures Policy]

Name of Key Management Person:

Position of Key Management Person

Please read Council's Related Party Disclosures Policy which explains what is a related party transaction and the purposes for which Council is collecting, and will use and disclose, the related party information provided by you in this return.

Please complete the table below **for each related party transaction with Council** that you, or a close member of your family, or an entity related to either you or a close member of your family:

- a) Has previously entered into **and** which will continue in the 2016/17 financial year; or
- b) Has entered into, or is reasonably likely to enter into, in the 2016/17 financial year

I have **no** related party transactions to disclose in the 2016/17 financial year **OR**

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual or entity)	Related Party's Relationship/reasons why related	Description of Transaction Documents or Changes to the Related Party Relationship	OFFICE USE ONLY Materiality Assessment

Notification

I _____
 notify that, to the best of my knowledge, information and belief, as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the 2016/17 financial year. I make this notification after reading the Related Party Disclosures Policy provided to me by Yass Valley Council, which details the meaning of the words 'related party', 'related party transaction', 'close members of the family of a person' and in relation to an entity, 'control' or 'joint control' and the purposes for which this information will be used and disclosed.

I permit the Director of Corporate and Community and the other permitted recipients specified in Council's Related Party Disclosures Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy

Signature of named Key Management Person: _____

Dated: _____

Materiality Assessment Completed – Signature of Authorised Person: _____

Dated: _____