

## *Our Vision*

Nambucca Valley ~ Living at its best

## *Our Mission Statement*

'The Nambucca Valley will value and protect its natural environment, maintain its assets and infrastructure and develop opportunities for its people.'

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### **1.0 Policy objective**

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the *Australian Accounting Standard AASB 124 - Related Party Disclosures*. This is to ensure transparency in dealings with related parties and their effect on Council's financial reports.

This policy shall be applied in:

- Identifying related parties and relevant transactions
- Identifying outstanding balances, including commitments, between Council and its related parties,
- Identifying the circumstances in which disclosures of the items in a) and b) is required, and
- Determining the disclosures to be made about those items.

### **2.0 Related legislation**

Local Government Act 1993

Local Government (General) Regulation 2005

#### **Related Documents**

Australian Accounting Standards - AASB 124 Related Party Disclosures

Code of Accounting Practice and Financial Reporting

Council Code of Conduct

AASB 124 Related Party Disclosures

Nambucca Shire Related Party Transaction Guide

Nambucca Shire Related Party Register Nambucca Shire Related Party Transaction Register

Declaration of Interest

Queensland Government, Department of Infrastructure, Local Government and Planning Related Party Disclosure Bulletin

### **3.0 Definitions**

"**AASB 124**" - means the Australian Accounting Standards Board, Related Party Disclosures Standard.

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**"Act"** - means the *Local Government Act 1993*.

**"Close members of the family of a person"** - are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

**"Entity"** - can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

**"Key management personnel"** - as defined in Section 4.1 of this Policy.

**"KMP Compensation"** - means all forms of consideration paid, payable, or provided in exchange for services provided, and may include:

- 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;
- Post-employment benefits such as pensions, other retirement benefits, postemployment life insurance and post-employment medical care;
- 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 end of the period, profit sharing, bonuses and deferred compensation;
- Termination benefits; and
- Share-based payment.

**"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.

**"Ordinary Citizen Transaction"** - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

**"Possible (Possibly) Close members of the family of a person"** - are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's brothers' and sisters';
- (b) aunts', uncles', and cousins' of that person's spouse or domestic partner;
- (c) dependants of those persons' or that person's spouse or domestic partner as stated in (b); and
- (d) that person's or that person's spouse or domestic partners', parents' and grandparents'.

**"Related Party"** - defined in Section 4.2 of this Policy.

**“Related Party Transaction”** - is a transfer of resources, services or obligations between a Council 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.

#### **4.0 Policy statement**

Related Party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.

A related Party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a Related Party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Also, transactions between Related Parties may not be made on the same terms as between unrelated parties.

The normal business operations of Council may be affected by a Related Party relationship even if Related Party Transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another—for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessments of Council's operations by users of financial statements, including assessments of the risks and opportunities facing the Council.

#### **4.1 Identification of Key Management Personnel (KMP)**

AASB 124 defines KMP's 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”*.

KMP's for the Council are considered to include:

Councillors (including the Mayor);  
General Manager;  
Assistant General Managers and  
Chief Financial Officer

#### **4.2 Identification of Related Parties**

A person or entity is a related party of Council if any of the following apply:

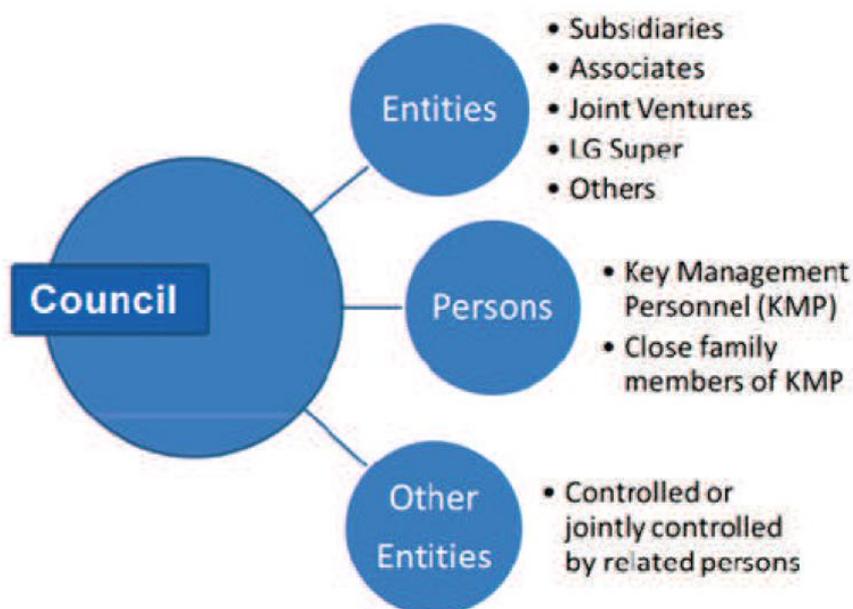
- a) They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- b) They are an associate or belong to a joint venture of which Council is part of.
- c) They and Council are joint ventures of the same third party.
- d) They are part of a joint venture of a third party and council is an associate of the third party.
- e) They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.

- f) They are controlled or jointly controlled by *Close members of the family of a person*.
- g) They are identified as a *close or possibly close member of the family of a person* with significant influence over Council or a *close or possibly close member of the family of a person* who is a KMP of Council.
- h) They, or any member of a group of which they are a part, provide KMP services to Council.

For the purposes of this Policy, related parties of Council are:

- a) Entities related to Council;
- b) Key Management Personnel (KMP) of Council
- c) Close family members of KMP;
- d) Possible close family members of KMP's; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

The following diagram gives an overview of common related parties that a council will have:



### 4.3 Review of Related Parties

Particular events, such as a change of Councillors, General Manager or Senior Executive Officers or a corporate restructure, will trigger a review of Council's related parties immediately following such an event.

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment.

Notification by KMP of Related Parties – KMP are to provide a notification of related parties at the beginning of each Financial Year. The method for identifying close family members and associated entities will be by KMP self-assessment.

### 4.4 Identification of Control or Joint Control

A person or entity is deemed to have control if they have:

- a) power over the entity;
- b) exposure, or rights, to variable returns from involvement with the entity; and
- c) the ability to use power over the entity to affect the amount of returns.

To jointly control, a person or entity must have contractual rights or 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.

#### 4.5 Required Disclosures & Reporting

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

1. *Disclosure of any related party relationship* - must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.
2. *KMP Compensation Disclosures* - must disclose in the annual financial statements KMP for each of the categories of compensation (as defined in the definitions of this Policy) in total.

#### 4.6 Related Party Transactions Disclosures

Related Party Transactions are required to be disclosed, 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 Council or by Council on behalf of the related party.

Council must disclose all **material** and **significant** Related Party Transactions in its annual financial statements and include the following detail:

- (i) The nature of the related party relationship; and
- (ii) Relevant information about the transactions including:
  - a) The amount of the transaction;
  - b) 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 the settlement; and
    - ii. Details of any guarantee given or received
  - c) Provision for doubtful debts related to the amount of outstanding balances; and
  - d) 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:

- (i) Significance of transaction in terms of size;
- (ii) Whether the transaction was carried out on non-market terms;
- (iii) Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;
- (iv) Whether the transaction is disclosed to regulatory or supervisory authorities;
- (v) Whether the transaction has been reported to senior management; and

(vi) 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 transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

Notification by KMP of Related Party Transactions – All KMP will be required to complete and submit to the General Manager, a notification advising of any known related party transactions that have occurred in the past reporting period. reporting purposes.

#### 4.7 Materiality

Once the related party transactions have been identified they will be analysed by the General Manager and those found to be of a material nature will be disclosed in the financial statements.

For the purposes of this policy any transaction where the aggregate amount involved will be expected to exceed \$10,000 in any financial year will be disclosed in the annual financial statements.

#### 4.8 Ordinary Citizen Transactions

Ordinary citizen transactions (see definitions) are those transactions that are made on an arm's length basis between Council and related parties that an ordinary citizen of the community would transact with the Council. Examples of these are rates payments for properties owned by the related party and dog registration payments.

Any transactions between Council and related parties that are deemed to be ordinary citizen transactions (see definition) will not be required to be disclosed in the annual financial statement.

Transactions between Council and related parties that would normally be considered to be ordinary citizen transactions but where the terms and conditions differ from normal practice will not be considered to be an ordinary citizen transaction for the purposes of this policy. These will be disclosed in Council's annual financial statements in the related party disclosure.

#### 5.0 History

Department:	Governance	Last Reviewed	Resolution Number
Policy Category	Council	22 May 2019 added MANEX A members to Key Management Persons	By AGMCS
Endorsed By:	General Manager	14 June 2019 took out Manex A & incl CFO as per auditor advice	By AGMCS
Approval Authority	Council		
Policy Owner	Finance		
Contact Officer	Chief Financial Officer		
Document No.	33423/2017		
First Adopted	31 August 2017		
Resolution No:	444/17		
Review Date:	August 2019		