



RELATED PARTY DISCLOSURE PROCEDURE

1. Introduction

This procedure provides the basis on which to implement the Related Party Disclosure Policy, which outlines what is expected of elected members and staff of Flinders Council in relation to Australian Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124).

Where there is an inconsistency between this procedure and the related party disclosure policy, the provisions of the policy shall take precedence over the provisions of the related party procedure.

2. Summary

From 1 July 2016, Local Governments (Councils) must disclose related party relationships, transactions and outstanding balances, including commitments, in their annual statements.

Flinders Council's related parties are likely to include the Mayor and other Councillors, General Manager, Senior Executives, their close family members and any entities that they control or jointly control. Any transactions between Council and these parties, whether monetary or not, may need to be identified and disclosed.

3. Key Terms

| Term | Meaning |
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| Arm's length terms | Terms between the parties that are reasonable in the circumstances of the transaction that would result from: <ul style="list-style-type: none"> • neither party bearing the other any special duty or obligation, and • the parties being unrelated and uninfluenced by the other, and • each party having acted in its own interest. |
| Close Family Member | Family members of Key Management Personnel (KMP) who may be expected to influence, or be influenced by, that person in their dealings with the entity. This includes, but is not limited to, that person's spouse or domestic partner; and the children and dependents of that person or that person's spouse or domestic partner. |
| Control of an entity | You control an entity if you have: <ol style="list-style-type: none"> a) power over the entity; b) exposure, or rights, to variable returns from involvement with the entity; and c) the ability to use your power over the entity to affect the amount of your returns. |
| Declaration by KMP | An annual declaration of close family members and entities that the KMP or their close family members control or jointly control, as per Appendix 1, updated during the year as necessary. |
| Entities controlled by KMPs | Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs. You control an entity if you have: <ul style="list-style-type: none"> • power over the entity; |

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| | <ul style="list-style-type: none"> • 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. |
| Entities related to Council | Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. |
| Joint control of an entity | 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. |
| Key Management Personnel (KMP) | Persons having authority and responsibility for planning, directing and controlling the activities of Flinders Council, directly or indirectly. In the council context this includes the Mayor, other Councillors, the General Manager and senior council officers as outlined in the policy. |
| KMP Compensation | <p>All employee benefits. Employee benefits are all forms of consideration paid, payable or provided by Flinders Council, or on behalf of Flinders Council, in exchange for services rendered to Council. Compensation includes:</p> <ol style="list-style-type: none"> a) 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 or subsidised goods or services) for current employees; b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; c) 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; d) termination benefits; and e) share-based payment. |
| Materiality | <p>Information is material when, if omitted or misstated, it could influence decisions that users make on the basis of financial information about Flinders Council.</p> <p>Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.</p> |
| Ordinary Citizen Transactions (OCTs) | Transactions that an ordinary citizen would undertake with Council are usually not material to related party disclosure |

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| | requirements. OCTs do not apply if the terms and conditions are different to those offered to the general public. |
| Related Party of Council | People and entities, such as companies, trusts and associations, can be related parties of Council. Most commonly these will be entities related to Council, KMP of Council (including elected members), close family members of KMP and entities that are controlled or jointly controlled by KMP or their close family members. |
| Related Party Transaction | A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. |

4. Identifying Related Parties

4.1. The General Manager will establish, review and maintain a list of Key Management Personnel for Council.

Key Management Personnel (KMP) for Council are:

- The Mayor;
- Other Councillors;
- The General Manager; and
- Other Senior Executives.

4.2. Those persons identified as KMP will complete an annual declaration which outlines the entities, if any, that are controlled or jointly controlled by that KMP or their close family members and which are likely to have transactions with Council (Appendix 1).

4.3. For the purpose of this Policy, Close Family Members includes:

- That person's children and spouse or domestic partner;
- Children of that person's spouse or domestic partner; and
- Dependants of that person or of that person's spouse or domestic partner.

Council may determine other family members, such as a parent, grandparent, sibling, cousin etc. who may be expected to influence or be influenced by that person in their dealings with Council or a Council entity.

4.4. It is the responsibility of the General Manager to seek declaration upon a change of KMP.

4.5. All KMPs will be asked to provide their declarations by 1 July each year covering the forthcoming financial year. In addition, an updated declaration for the previous financial year will also be provided.

4.6. It is the responsibility of all identified KMP to update their declaration should they become aware of a change, error or omission.

5. Register of Related Party Transactions

5.1. Maintain a Register

The General Manager (or Corporate Services Manager when it relates to the General Manager), is responsible for maintaining and keeping up to date a register of related

party transactions that captures and records the information for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

5.2. Contents of a Register

The contents of the register of related party transactions must detail for each related party transaction the following:

- 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; and
- e) A description of the transactional documents that are the subject of the related party transaction.

The General Manager (or Corporate Services Manager when it relates to the General Manager) is responsible for ensuring that the information is disclosed in Council's Financial Statements to the extent, and in the manner stipulated, by AASB 124.

5.3. Council will use the declarations of KMP to establish a list of related parties for the purposes of identifying transactions and reporting under AASB 124.

5.4. Updates as advised by the Tasmanian Audit Office will be provided to KMP and Council staff periodically on changes arising from amendments to Australian Accounting Standards, applicable legislation or policy and procedural requirements.

6. Council Entities and Subsidiaries

For the purpose of this policy, entities controlled by Council, jointly controlled by Council or over which Council has significant influence, are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements.

When assessing whether Council has control or joint control over an entity, Council will need to consider AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*. AASB 128 *Investments in Associates and Joint Ventures* details the criteria for determining whether Council has significant influence over an entity.

7. Related Party Disclosures by Council

Each year Council will declare the following related party transactions:

7.1. Transactions with Council subsidiaries, by transaction type;

7.2. KMP compensation, including:

- Short-term employee benefits;
- Post-employment benefits;
- Long-term benefits; and
- Termination benefits.

7.3. Transactions with other related parties, including:

- Purchase or sales of goods (finished or unfinished);

- Purchase or sales of property and assets;
 - Rendering or receiving of services;
 - Leases;
 - Transfers of research and development;
 - Transfers under licence agreements;
 - Transfers under financial arrangements (including loans and equity contributions in cash or in kind);
 - Provision of guarantees or collateral;
 - Commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and
 - Settlement of liabilities on behalf of the entity, or by the entity or on behalf of that related party.
- 7.4. Transactions of a similar nature will be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of a related party transaction on the financial statements of Council, having regard to the following criteria:
- The nature of the related party transaction;
 - 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);
 - Whether the nature of the transaction is outside normal day-to-day business operations.
- 7.5. Outstanding balances in relation to transactions with related parties, including:
- Entities controlled by KMPs;
 - Bad or doubtful debts in respect of amounts owed by related parties.
- 7.6. Non-monetary transactions such as use of facilities, peppercorn rents.
- 7.7. If a KMP or close associate is named individually in disclosure reports, the KMP will be given a copy of intended disclosure for review and information purposes. Feedback must be provided within 7 days.
- 7.8. Council will not capture Ordinary Citizen Transactions (OCTs) with related parties, nor will Council disclose non-material transactions.
- 7.9. For the purpose of this policy, examples of OCTs are:
- Attending council functions that are open to the public.
 - Fines on normal terms and conditions;
 - Paying rates and utility charges;
 - Dog registrations; and
 - Landing & Passenger Tax.
- 7.10. For the purpose of this policy, examples of transactions that are NOT OCTs are:
- Purchase or sale of property;
 - Leases;
 - Infrastructure charges and contributions; and
 - Employee expenses of close family members of KMP.

The list of OCTs will be reviewed periodically with updates provided to KMP.

- 7.11. The General Manager will assess the materiality on an annual basis of the related party transactions that have been captured prior to disclosure. The determinations will be tabled at the Council Meeting prior to the submission of the completed financial statements.

Council does not have to disclose transactions in the audited annual financial statements that are not material.

- 7.12. In making disclosures in the annual financial statements, Council will include:
- Relationships between a parent and its subsidiaries (if applicable), irrespective of whether there have been transactions between them;
 - KMP compensation in total and for each of the following categories.
 - Short-term employee benefits;
 - Post-employment benefits;
 - Other long-term benefits; and
 - Termination benefits.

- 7.13. Where related party transactions have occurred:
- The nature of the related party relationship; and
 - Information about the transactions, outstanding balances and commitments, including terms and conditions.

NB: Transactions that are individually significant, either because of their amount or nature, are included in the aggregate disclosure but also need to be disclosed separately.

- 7.14. The types of transactions disclosed such as:
- Purchases or sales of goods;
 - Rendering or receiving of services;
 - Leases;
 - Guarantee given or received;
 - Commitments; and
 - Provision for doubtful debts relating to outstanding balances.

8. Privacy and Right to Information

Council must comply with the requirements of the *Archives Act 1983 (Tasmania)*, *Privacy Act 1988 (Commonwealth)*, *Personal Information Protection Act 2004 (Tasmania)*, *Right to Information 2009 (Tasmania)* and Flinders Council's Personal Information Protection Policy in the collection, storage, management, disclosure and reporting of information.

A declaration statement from KMP is incorporated into the Declaration of Related Party Transactions Form (Appendix 1) to enable the disclosure and reporting of information in accordance with AASB 124. A Related Party Information Collection Notice will be provided to KMP and included in their Declarations (Appendix 2).

Appendix 1 - Declaration of Related Party Transactions and Consent Form

Private and Confidential

Related Party Declaration by Key Management Personnel

Name of Key Management Person:

Position of Key Management Person:

| Close Family Member Name | Relationship with KMP | Entities over which the close family member has sole or joint control | Nature of likely transactions with Council or Council entities |
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| Name of Entity over which the KMP has control | Relationship with KMP | Nature of likely transactions with Council or Council entities |
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I *(insert full name)*, *(insert position)* declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members having had, or likely to have, transactions with Council. I make this declaration after reading Council’s policy which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”.

I permit the General Manager to access the register of interests of me and persons related to me and to use the information for the purposes specified in Council’s Related Party Disclosures Policy.

Declared at *(insert place)* on the *(insert date)*

Signature of KMP:

Name of KMP:

In accordance with Council's *Personal Information Protection Policy*, your information, and the information of others, is protected by law, including the *Privacy Act 1988* and the *Personal Information Protection Act 2004*.

Flinders Council Collection Notice

Related party transactions disclosure by Key Management Personnel

From 1 July 2016, Council must disclose related party relationships, transactions and outstanding balances, including commitments, in its annual financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures*.

Purpose of collection, use and disclosure of related party information

The reason for disclosure of related party transactions is to ensure that Council's financial statements contain the information necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Council's related parties are likely to include the Mayor, Councillors, General Manager, senior executives, their close family members and any entities that they control or jointly control. Any transactions between Council and these parties, whether monetary or not, may need to be identified and disclosed.

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.

A related party transaction must be disclosed in Council's financial statements if the transaction is material. Information is material when, if omitted or misstated, it could influence decisions that users make on the basis of financial information about a specific reporting entity.

Prior to disclosure, the General Manager will assess the materiality of related party transactions that have been captured, and, if deemed material, will disclose in its financial statements the nature of the related party relationship and information about the transaction. Disclosure in the financial statements may be in aggregate form and/or may be made separately, depending on the nature and materiality of the transaction.

Related Party Transactions Declaration by Key Management Personnel

Key management personnel (KMP) are the persons who have authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly and include the Mayor, Councillors, General Manager and senior executives. In order to comply with AASB 124, Council has adopted a policy that requires all KMP to declare any existing or potential related party transactions between Council and any of their related parties during a financial year.

Each KMP must provide an annual *Related Party Declaration* in the approved form, by 1 July each year, and update the Declaration should they become aware of any change, error or omission. KMPs must exercise their best judgement in identifying related parties when declaring, or not declaring, entities over which they, or a close member of their family, have control or joint control.

How will the information captured in the Declaration be used?

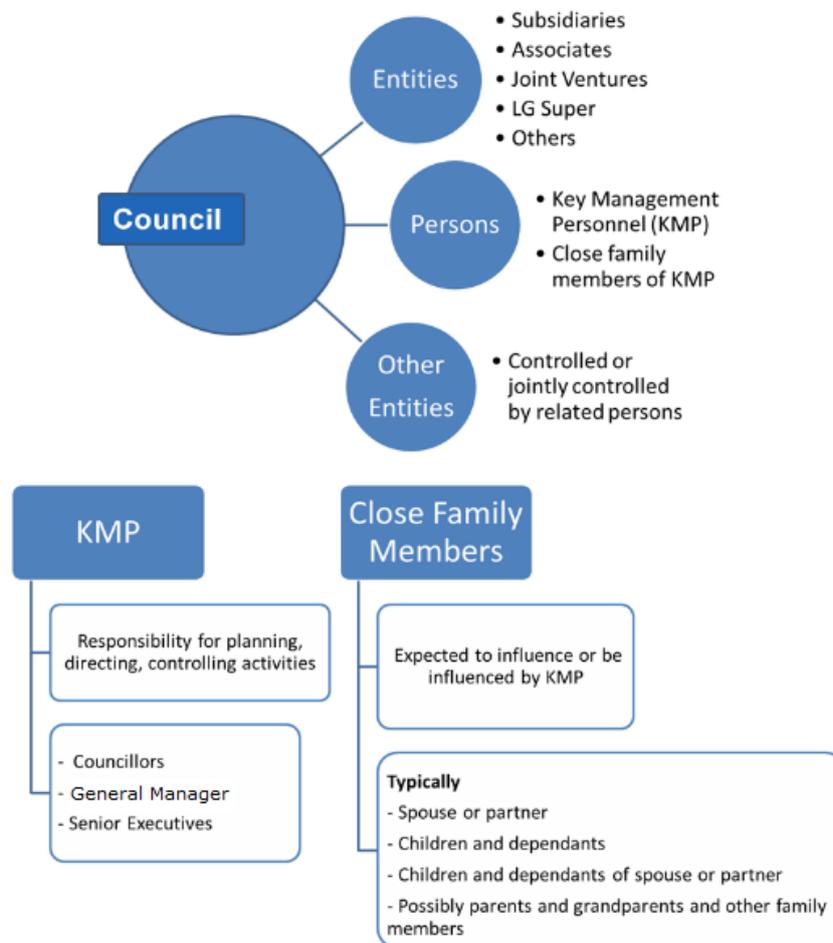
Council will use the declarations of KMPs to establish a list of related parties of Council for the purposes of identifying transactions and reporting under AASB 124. If a KMP or close family member is named individually in disclosure reports, the KMP will be given a copy of the intended disclosure for review and information purposes.

Who are related parties?

People and entities, such as companies, trusts and associations, can be related parties of Council.

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

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



For related party transaction disclosures under AASB 124, the related party relationship must be disclosed for both the KMP and their close family members, even if the same related party entity is held jointly or in common by them. This is separate and in addition to Council’s register of interests which is required under the *Local Government Act 1993*.

Under AASB 124, those persons who are prescribed as definitely being close family members of a KMP 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.

Flinders Council may determine other family members, such as a parent, grandparent, sibling, cousin, etc, who may be expected to influence, or be influenced by, that person in their dealings with Council or a Council entity.

What is an entity that I, or my close family members, control or jointly control?

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

You control an entity if you have:

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

You jointly control an entity if there is a contractually agreed sharing of control of the entity. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

In some instances, it may not be easy to determine whether or not you, or your close family members, control or jointly control an entity. If you are unsure and require further clarification, you should contact the General Manager for a confidential discussion.

For more information about Council's disclosure requirements under AASB 124 Related Party Transactions, please refer to the Council's Related Party Disclosures Policy, which can be found in the Policy Manual.

All information collected by Council is in accordance with Council's Personal Information Protection Policy and is protected by law, including the *Privacy Act 1988* and the *Personal Information Act 2004*. Council's Personal Information Protection Policy can be found in the Policy Manual.