

RELATED PARTY DISCLOSURE POLICY

Type	Governance
Category	Corporate & Community
Responsible Officer	Director Corporate & Community
First Issued / Adopted	New
Review Period	4 Years
Last Reviewed	22 January 2020, 23 August 2017
Minutes Reference	OM14/20, OM242/17
Next Review Date	November 2023
Applicable Legislation	Australian Accounting Standard AASB124 Related Party Disclosures (AASB124) Local Government Act 1999
Related Documents	Code of Conduct - Elected Members Code of Conduct - Employees
Public Consultation Required	No
File Reference	9.63.1.4

1. PURPOSE

To describe the level of disclosure and reporting required for Council to be compliant with Australian Accounting Standards AASB124.

2. SCOPE

Council seeks to ensure that the existence of any related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on Council's Annual Financial Statements are properly identified recorded and disclosed in the Annual Financial Statements.

This Policy has been developed to ensure compliance with the Local Government Act 1999, Section 127, which requires Council to prepare its Annual Financial Statements in compliance with Australian Accounting Standards. The relevant standard for the purpose of this Policy is AASB 124 Related Party Disclosures.

This policy applies to all Elected Members and employees – prescribed officers under Section 112 - register of interest the Local Government Act 1999 and to any other employees whose role deems them to have significant budget control and/or influence.

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3. DEFINITIONS

A **related party** is a person or entity controlled or jointly controlled by Council, Key Management Personnel (KMP) of Council or their close family members.

A **related person** includes Elected Members, senior employees and close family members of KMP.

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. For the purposes of this policy, transactions with related parties of Council which are of a nature that any ordinary citizen would undertake will not be captured or reported (for example, payment of water rates), provided the transaction occurs under the same terms as those offered to the general public.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with Council.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Key management personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of Council, both directly and indirectly. For the purpose of this policy, KMP will be limited to the Elected Members and those employees directly reporting to the Chief Executive Officer.

Significant influence is the power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies.

4. POLICY STATEMENTS

Council must disclose related party relationships in its annual financial statements. Any transactions with these parties will need to be identified and may need to be disclosed (including outstanding balances, commitments and non-monetary transactions).

In order to meet this requirement, all KMP are required to maintain the information provided in their register of interests. They must also provide a declaration identifying any close family members not listed on their register of interests and any entities that those close family members control or jointly control.

This information will be collated on an annual basis or when there is a change in the organisation structure. The Finance officers will prepare the related parties declarations and registers of interests to determine which transactions are required to be disclosed and this shall be reviewed by the Executive Management Team during the preparation of the annual financial statements.

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5. PRIVACY

KMP declarations and personal information contained in registers of related party transactions are confidential and are not available for inspection by or disclosure to the public unless otherwise required to be made available by an oversight body or under applicable legislation.

Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a KMP declaration or 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 a KMP declaration or contained in a register of related party transactions for the purposes specified below:

- An Elected Member;
- Chief Executive Officer;
- Financial officers responsible for the preparation of financial statements as authorised by the Chief Financial Officer;
- Members of Council's Audit Committee;
- An auditor of Council.

A person specified above may access, use and disclose information (including personal information) in a KMP declaration or contained in a register of related party transactions for the following purposes:

- To assess and verify a notified related party transaction;
- To reconcile identified related party transactions against those notified in a KMP declaration or contained in a register of related party transactions;
- To comply with the disclosure requirements of the AASB 124;
- To verify compliance with the disclosure requirements of the AASB 124.

6. FURTHER INFORMATION

This policy will be available for inspection at the Council offices listed below during ordinary business hours and available to be downloaded, free of charge, from Council's internet site: www.pirie.sa.gov.au

- Port Pirie Council Administration Centre, 115 Ellen Street, Port Pirie;
- Crystal Brook Rural Office, Bowman Street, Crystal Brook.

Copies will be provided to interested parties upon request, and upon payment of a fee in accordance with Council's Schedule of Fees and Charges.

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Forms – suggested / examples

RELATED PARTY DISCLOSURE BY KEY MANAGEMENT PERSONNEL

Name of Key Management Person:

.....

..... (insert position title)

List details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by the close family members of KMP.

Name of	Relationship

I,, 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. I make this declaration after reading the fact sheet supplied by Council which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”.

Declared at on the

..... (signature)

..... (insert name)

..... (insert date)

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PRIVACY COLLECTION NOTICE

RELATED PARTY DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its annual financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124)*.

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements maybe in the aggregate and/or made separately depending on the materiality of the transaction.

For more information about Council's disclosure requirements under AASB 124, please refer to Council's Related Party Disclosure Policy.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Manager Finance of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year. To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the Manager Finance by no later than the following periods during a financial year:

- 30 days after a KMP commences their term or employment with Council;
- 30 November (each year); and
- 30 June (each year).

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with other registers of interest required to be maintained under the Local Government Act 1999. This includes disclosures relating to Conflicts of Interest, material, actual or perceived and Gifts and Benefits. Council's Auditors may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.

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Who are KMPs?

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

For Council, KMPs include the:

- Elected Members;
- Chief Executive Officer;
- Directors.

Who are Close Family Members of a KMP Person?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with 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.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc.) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

The following table may assist you in identifying your close family members:

Definitely a close family member	Maybe 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 dealing with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by you in their dealing with Council
Your dependents	Your parents and grandparents, if they could be expected to influence, or be influenced by you in their dealing with Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence, or be influenced by you in their dealing with Council
Dependents 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 dealing with Council

What is an Entity that I, or my Close Family Member, Control or Jointly Control?

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

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Control

You control an entity if you have:

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

Example of Control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights. Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company. Fred will need to include the company on his related party disclosure.

Joint Control

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.

Example of Joint Control

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board. Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both. Fred will need to include the company on his related party disclosure and the entity's related party relationship with Fred and Stan.

In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases it will be less clear.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Finance Officer responsible for the preparation of financial statements for a confidential discussion.

Examples of ordinary citizen transactions assessed to be not material in nature are:

- a) paying rates and utility charges;
- b) using Council's public facilities after paying the corresponding fees.

Related Party

A person or entity that is related to Council pursuant to the definition contained in AASB 124, Paragraph 9. Examples of related parties of Council are:

- a) Council subsidiaries;
- b) KMP;
- c) close family members of KMP;
- d) entities that are controlled or jointly controlled by KMP or their close family members.

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Related Party Transaction

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:

- 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 Disclosure

A document entitled Related Party Disclosure by Key Management Personnel in the form 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 policies, as determined in accordance with Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures, Paragraphs 3, 5 and 6.

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