

Policy



STRATEGIC

Related Party Disclosure

Head of Power

Local Government Act 2009

Local Government Regulation 2012

[Key Supporting Council Document](#)

Lockyer Valley Regional Council Corporate Plan 2022-2027:

5. Lockyer Leadership and Council - Compliant with relevant legislation

Definitions

<i>AASB 124</i>	the Australian Accounting Standards Board annual reporting standard on Related Party Disclosures.
<i>AASB 128</i>	the Australian Accounting Standards Board annual reporting standard on Investments in Associates and Joint Ventures.
<i>Arm's Length Terms</i>	terms between 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.
<i>CEO</i>	the Chief Executive Officer of Council.
<i>Close Family Members</i>	of a KMP, are family members who may be expected to influence, or be influenced by, that KMP in their dealings with Council and include: <ul style="list-style-type: none">• that KMP's spouse or domestic partner and children; and• children of that KMP's spouse or domestic partner; and• dependants of that KMP or that KMP's spouse or domestic partner.

For the purpose of the AASB124, Close Family Members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles, aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

<i>Compensation</i>	<p>is defined in paragraph 9 of AASB 124 and includes:</p> <ul style="list-style-type: none"> • 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 12 months of the end of the period) and non-monetary benefits (such as medical care, housing, cares and free or subsidised goods or services) for current employees • post-employment benefits such as pensions, other retirement benefits, post-employment 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 12 months after the end of the period, profit-sharing, bonuses and deferred compensation • termination benefits; and • share-based payments.
<i>Control</i>	is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.
<i>Councillor</i>	the Mayor and councillors of Council.
<i>Joint Control</i>	is 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.
<i>Key Management Personnel (KMP)</i>	are persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly.
<i>Material</i>	information is material to financial statements if omitting it or misstating it could influence decisions that users make on the basis of financial information.
<i>Ordinary Citizen Transaction (OCT)</i>	<p>are transactions that an ordinary citizen would undertake with Council, which is undertaken on Arm's Length Terms and in the ordinary course of carrying out Council's functions and activities.</p> <p>Examples of OCTs assessed to not be Material in nature are:</p> <ul style="list-style-type: none"> • paying rates and utility charges; • using Council's public facilities after paying the corresponding fees in Council's Fees and Charges; • paying fines or penalties on normal terms and conditions; • attending Council functions which are open to the general public; or • visiting Council facilities which are open to the general public, <p>unless the terms and conditions of the OCT are different to those offered to the general public.</p>
<i>Related Party</i>	<p>is a person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9. The following persons are considered related parties of Council:</p> <ul style="list-style-type: none"> • government-related entities including Council Subsidiaries • KMPs • Close Family Members of the KMPs. • entities controlled or jointly controlled by a member of the KMP or their Close Family Members • any person who has significant influence over the KMP.
<i>Related Party Transaction</i>	is a transfer of resources, services or obligations between the entity and a related party, regardless of whether a price is charged.

<i>Senior Executive Employees</i>	means an employee of Council: <ul style="list-style-type: none"> • who reports directly to the Chief Executive Officer; and • whose position ordinarily would be considered to be a senior position in Council's corporate structure.
<i>Significant Influence</i>	is the power to participate in the financial and operating policy decisions of an entity, but is not control or joint control of those policies, as determined in accordance with AASB 128 paragraphs 3, 5 and 6.
<i>Subsidiaries</i>	are entities that are controlled by another entity.

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 Standards, in particular AASB 124.

Policy Statement

Under the *Local Government Act 2009* and the *Local Government Regulation 2012*, Council must produce annual financial statements that comply with AASB 124. Council must disclose certain Related Party relationships and Related Party Transactions together with information associated with those transactions in its annual general purpose financial statements.

Council is committed to:

- maintaining legal and ethical behaviour of councillors and employees
- transparent and effective processes and decision making in the public interest
- integrity and impartiality
- accountability and transparency
- complying with legislation.

Identifying Related Parties

Related parties include:

- government-related entities including Council Subsidiaries
- Key Management Personnel
- Close Family Members; and
- any entities that are controlled or jointly controlled by Key Management Personnel or their Close Family Members.

In accordance with paragraph 14 of AASB 124, to enable users of financial statements to form a view about the effects of Related Party relationships on an entity, it is appropriate to disclose the Related Party relationship when control exists, irrespective of whether there have been transactions between the Related Parties.

Any transactions with these parties, whether monetary or not, need to be identified for inclusion in Council's annual financial statements.

Government Related Entities

In accordance with AASB 10, AASB11 and AASB 128, Council needs to determine if there are any Council Subsidiaries, entities jointly controlled by Council or entities over which Council has Significant Influence.

Under paragraph 25 of AASB 124 Council is exempt from the disclosure requirements in relation to Related Party Transactions and outstanding balances, including commitments, with government entities that have control, joint control or Significant Influence over Council.

Key Management Personnel

Council has determined in accordance with AASB 124, that the following positions meet the definition of KMP:

- Mayor
- Councillors
- CEO
- Senior Executive Employees including Group Managers and the Chief Financial Officer
- Manager Planning, Policy and Community Wellbeing.

Close Family Members of KMPs

The following will be considered as Close Family Members of KMPs:

- children and dependents of the Mayor, Councillors and the CEO
- spouse/domestic partner of the Mayor, Councillors and the CEO
- children and dependents of a spouse/domestic partner of the Mayor, Councillors and the CEO
- children and dependents of a KMP
- spouse/domestic partner of a KMP
- children and dependents of a spouse/domestic partner of a KMP
- other Family Members of a KMP that may be expected to influence, or be influenced by, that person in their dealings with Council.

Close Family Members will be identified in the Related Party Declaration made by a KMP.

Entities that are controlled or jointly controlled by KMPs or their Close Family Members

Entities that are controlled or jointly controlled by KMPs or their Close Family Members include companies, trusts, joint ventures, partnerships and non-profit associations.

Identifying Ordinary Citizen Transactions

Council has determined that the following transactions constitute an OCT and are therefore not material for disclosure:

- paying Council fees, rates or charges
- attending Council functions that are open to the public
- payment for goods or services from Council at rates published in Council's Register of Fees and Charges.

In the event that the transaction was to occur on terms and conditions that are different to those offered to the general public, then the transaction may become material and disclosable.

All other transactions will be assessed as to the need for disclosure.

Review

A review of all Related Parties (Key Management Personnel, Close Family Members and related entities) will be conducted twice annually, or in the event of one or more of the following triggers:

- change of Councillor/s or Chief Executive Officer;
- change in Senior Executive Employees;
- corporate restructures;
- change in family structure of KMP.

Annual Declarations

Key Management Personnel are to provide an annual declaration identifying:

- their Close Family Members; and
- entities that they control or jointly control; and
- entities that their Close Family Members control or jointly control.

The onus is on the KMP to disclose all related parties on the declaration.

This information will be audited as part of the annual external audit by the Queensland Audit Office.

Related Party Register

Related Party Transactions will be collated in a Related Party Register for audit and reporting purposes.

Disclosing Related Party Transactions

Council will disclose Material Related Party Transactions in its annual general purpose financial statements in accordance with the requirements of paragraphs 17 and 18 of AASB 124. Transactional information will be summarised and financial amounts will be reported as aggregate totals in the Related Party disclosure notes in the financial statements in the following categories, where required:

- Council Subsidiaries
- KMP Compensation
- Transactions with other Related Parties
- outstanding balances
- loans and guarantees to/from Related Parties
- commitments to/from Related Parties.

Access to Related Party Information

The following access provisions and restrictions apply to Related Party information:

Related Party Information Type	Access Rights and Restrictions
Council's Annual Financial Statements (includes reporting on related party disclosures)	Publicly available and published in the Annual Report on Council's website
KMP Related Party Declarations	Requires an application to be made with Council and considered, assessed and decided under the <i>Right to Information Act 2009</i> . It is likely that full access to this information will not be granted due to the documents containing personal information of individuals.
Related Party Register	
Transactional information and documentation the subject of a Related Party Transaction with Council	

Human Rights

Council is committed to respecting, protecting and promoting human rights. Council has an obligation under the *Human Rights Act 2019* to give proper consideration to human rights when making a decision, and to act and make decisions in a way that is compatible with human rights. To the extent that an act or decision under this policy may engage human rights, Council will have regard to the *Human Rights Act 2019* in undertaking the act or making the decision.

Relevant Legislation

Information Privacy Act 2009

Public Sector Ethics Act 1994

Right to Information Act 2009

Statutory Bodies Financial Arrangements Act 1982

Related Documents

AASB 2 – *Share-based Payments*

AASB 10 – *Consolidated Financial Statements*

AASB 11 – *Joint Arrangements*

AASB 119 – *Employee Benefits*

AASB 124 – *Related Party Disclosures*

AASB 128 – *Investments in Associates and Joint Ventures*

Australian Implementation Guidance for Not-for-Profit Public Sector Entities

Councillor Code of Conduct

Employee Code of Conduct

Key Management Personnel – Related Party Declaration

Related Party Disclosures Guideline

Related Party Register