



# BOULIA SHIRE COUNCIL

## Related Party Disclosure Policy

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<b>Keyword Classification:</b>	Related Party Disclosures Policy
<b>Summary:</b>	This policy is to provide guidance for determining who are the related parties of Council, what equates to related party transactions and how to record them.
<b>Adoption Date:</b>	26 <sup>th</sup> July 2024
<b>Resolution:</b>	2024/07.19
<b>Due for Revision</b>	3-years hence
<b>Revision date:</b>	1 <sup>st</sup> July 2027
<b>Date revoked</b>	n/a
<b>Related documents:</b>	Related Party Declaration Form
<b>Responsible Section</b>	Finance
<b>Responsible Officer</b>	Director of Corporate & Financial Services
<b>Legislation</b>	Local Government Act 2009 Local Government Regulation 2012 Accounting Standard AASB 124 – Related Party Disclosures



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## OBJECTIVE:

The objective of the policy is to define the parameters for related party transactions and the level of disclosure and reporting required to achieve compliance with *Australian Accounting Standard AASB 124 – Related Party Disclosures*.

## SCOPE & PURPOSE:

The purpose of this policy is to be applied in:

- (1) identifying Key Management Personnel (KMP); and
- (2) identifying related party relationships and transactions; and
- (3) identifying outstanding balances, including commitments, between Council and its related parties; and
- (4) identifying the circumstances in which disclosure is required; and
- (5) determining the specific disclosures to be made.

## DEFINITIONS:

**Arm's length terms** – terms between parties that are reasonable in the circumstances of the transactions that would result from:

- (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 interests.

**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 entity and include:

- (a) that person's children and spouse or domestic partner.
- (b) children of that person's spouse or domestic partner; and
- (c) dependents 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** – are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly including but not limited to a Councillor, Chief Executive Officer, Manager or Foreman.

**Ordinary citizen transactions** - 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, such as paying rates and utility charges, using Council's public facilities after paying the relevant fee.

**Related party** - means a person or entity that is related to the entity that is preparing its financial statements. A related party may be an affiliate, and employee, members of the immediate family of an employee or persons having a controlling influence on controlled entities.



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## **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 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.

## **IDENTIFICATION OF KEY MANAGEMENT PERSONNEL**

For the purposes of this policy, Key Management Personnel are identified as the following:

- (a) Mayor and Councillors;
- (b) Chief Executive Officer;
- (c) Director of Works and Operations;
- (d) Works Manager;
- (e) Director of Corporate & Financial Services;
- (f) Finance Manager.

## **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 member of the family of a person with significant



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influence over Council or a 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 of Council;
- (c) Close family members of KMP;
- (d) Entities or persons that are controlled or jointly controlled by KMP, or their close family members.

## REVIEW OF RELATED PARTIES

A review of KMP's and their related parties will be undertaken on an annual basis. Particular events, such as a change of Councillors, Chief Executive Officer or other relevant staff or a corporate restructure, will also trigger a review of Council's related parties. The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment and recorded on a Related Party Declaration Form.

## 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 number 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.

## 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 there have been transactions within the relevant reporting period.
2. Compensation disclosures - must disclose in the annual financial statements KMP for each of the categories of compensation (as defined in AASB 124) in total.

## RELATED PARTY TRANSACTION 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;



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- 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 and to determine the significance of each of the transactions.

## **REVIEW:**

Key Management Personnel must update their related parties where there is a change or, in any case, review their related parties on an annual basis.