

# 272 Related Parties

## General Policy



### PURPOSE

Australian Accounting Standard AASB 124 *Related Party Disclosures* was issued on 24 July 2015 and applies from 1 July 2016.

### SCOPE

Under the Regulation, Council is required to comply with all applicable accounting standards.

The Standard requires the Council to disclose, in its financial statements:

- Related parties, as defined in the Standard; and
- Transactions between the Council and the related parties.

In order to meet its obligations to make this disclosure, the Council has to implement processes to collect the information.

### POLICY STATEMENT

#### CONTENTS

Who are related parties for North Burnett Regional Council?.....	1
What transactions need to be reported .....	2
Ordinary citizen transactions (OCTs).....	2
What transactions will be reported under this policy .....	3
Materiality .....	3
Government transactions.....	3
Information from council records.....	3
Other information requests .....	4
Confidentiality .....	4
Providing draft reports .....	4

### WHO ARE RELATED PARTIES FOR NORTH BURNETT REGIONAL COUNCIL?

The Definitions of related parties in the Standard are extensive and include a large amount of information which is not relevant to Council.

The Standard is available online at [www.aasb.gov.au](http://www.aasb.gov.au).

The definitions in the Standard provide guidance on who are related parties of the Council, but for practical purposes, the following is how NBRC defines its related parties under this policy;

Categories of Related Person From the Australian Standard	Identified “Related Parties for NBRC
Entities controlled or jointly controlled by the Council	Currently no such entities exist.
Entities that are associates of the Council (in effect, Council has over a 20% share in them).	Currently no such entities exist.
Key management personnel (KMPs).	In this policy Council has identified KMP as follows; <ul style="list-style-type: none"><li>• The Mayor</li><li>• All Councillors</li><li>• Member of the Senior Executive Team (ie. CEO and General Managers)</li></ul>

Close Family Members of a KMP for example; Spouse, children, spouses children, siblings, parents etc.	Under this policy, each year all KMP's, will be required to complete a statutory declaration identifying related parties.
Business Entities or their subsidiaries owned or controlled by KMP's or Family members.	Under this policy each year all KMP's will be required to complete a statutory declaration identifying Business Entities owned by related parties.
An entity providing KMPs to the Council, such as an agency.	Currently no such entities exist.
The Local Government Superannuation Board	The Local Government Superannuation Board

*Note; the above approach has been developed following advice from the Queensland Audit Office, Council's Contract Auditors - Pitcher Partners and the Queensland Department of Infrastructure, Local Government and Planning (now know as the Department of Local Government, Racing and Multicultural Affairs).*

All KMPs are required to complete a declaration (Appendix A) every as at 30 June every year, giving information to the Chief Executive Officer about related parties and related party transactions.

The declaration will require the KMP's to identify their related parties. It will also require the KMP to identify details of all entities controlled by each person, whether they have transactions with the Council or not.

The related parties have to be identified by 30 September 2016 and the collection of transaction data commences from 1 July 2016.

A declaration will be required when a person becomes a KMP, and must be made within two weeks of appointment/election.

Any changes to the information provided should be provided to Chief Executive Officer as they occur.

If a KMP is uncertain if something needs to be disclosed, the KMP should provide all information to the Chief Executive Officer so that appropriate advice can be sought.

## **WHAT TRANSACTIONS NEED TO BE REPORTED**

The Australian standard identifies that Council needs to report transactions to related parties in its published financial statements.

Reporting specifically excludes a category of Council transactions called Ordinary Citizen Transactions.

## **ORDINARY CITIZEN TRANSACTIONS (OCTS)**

For the purpose of this policy North Burnett Regional Council defines OCT (Ordinary Citizen Transaction's) as any transaction where people have made to Council within the following two perimeters;

1. Paid the regular fees or charge as outlined in Council's annual fees and charges policy.
2. Paid appropriate charges according to existing council policy (eg. Development charges, rates policy etc.)

Examples of things that will be excluded under this policy as OCT's include;

- The payment of non-commercial rates and charges. (Residential rates will not be disclosed; business [including farming land] rates are.)
- The use of council facilities such as roads, parks, etc., provided to all members of the community without application and at no charge.
- The use, at the rates charged to the general public, of facilities such as swimming pools, library services, dog registrations, etc., where the total value of the transactions does not exceed \$5,000 per year.
- Building and development processes where regular charges have been levied.

Goods or services provided to a related party who is a councillor or employee of the Council, solely for use in carrying out the duties of employment or the duties as a councillor, are not regarded as a provision of goods or services to the related party. If there is any element of private benefit, or the item provided would not be required by everyone carrying out that function, disclosure will be required.

## WHAT TRANSACTIONS WILL BE REPORTED UNDER THIS POLICY

To enhance accountability under this policy Council will report the following elements in its published financial statements;

For Council

- The name of each entity controlled by the Council.
- The remuneration of KMPs in total with some detail. This information does not identify the amounts attributable to individuals. Bandings will be used.

For KMP's and Related Parties

Area of Council's Activity	What will be reported
Procurement/Purchasing/ Contracts/Payments	<ul style="list-style-type: none"><li>• Total value of transactions annually of more than \$5000.</li><li>• Any individual transaction or contract of more than \$5000</li></ul>
Fees and Charges	<ul style="list-style-type: none"><li>• Any instance where a discount, relaxation or cancellation of fees has occurred.</li></ul>
Land and Housing	<ul style="list-style-type: none"><li>• Sale of any Council land.</li><li>• Any land lease arrangements that have been entered into without an open and transparent public process.</li><li>• Any Council housing or property rentals.</li></ul>
Travel and Events	<ul style="list-style-type: none"><li>• Any instance of related party benefit outside the parameters of the NBRC Travel Policy.</li></ul>
Planning or Development	<ul style="list-style-type: none"><li>• Any relaxation or discount on planning, development or building fees or charges.</li><li>• Any Development Approvals or Material Change of Use Applications</li></ul>
Facility Use	<ul style="list-style-type: none"><li>• Total room hire of more than \$5,000 value in total.</li></ul>

If the Council has transactions with a related party, it has to disclose:

- The identity of the related party and the nature of the relationship
- The nature of the transactions
- The amount of the transactions
- The amount of any balances or commitments at the year end and the terms of those balances.
- Bad or doubtful debts with related parties
- Amounts paid to an agency for KMP services.

Items of a similar nature can be disclosed in aggregate.

### MATERIALITY

Once the transaction data has been collected and collated, the Finance Section, in consultation with the Council's auditors, will assess if it is material. Items that are not material need not be reported. There is no hard and fast threshold for materiality as it depends on the nature of the transaction and perceptions of users of financial statements. A low value transaction could be material if it impacts a significant area of Council's operations.

### GOVERNMENT TRANSACTIONS

It has yet to be resolved whether the State and Commonwealth Governments are regarded as related parties. If they are, information in relation to them and to transactions between the Governments and Council may need to be disclosed.

### INFORMATION FROM COUNCIL RECORDS

The Finance Section will set up processes to identify transactions and interactions with related parties that have been identified by the KMP's.

However, some transactions may not be apparent from the financial records, so additional processes will be needed to identify and collect this information.

Information from all other sources held by officers, and the officers' personal knowledge, may also be used to identify related parties and their transactions.

## OTHER INFORMATION REQUESTS

The Manager Finance and Chief Executive Officer may need to request additional information as required. All Councillors and staff are expected to provide such information promptly.

## CONFIDENTIALITY

The base data is regarded as confidential and, in accordance with the code of conduct and the Information Privacy Act, will only be provided to outside parties where required by law and in accordance with the relevant legislation.

The information included in the notes to the financial statements is public information and, once the Annual Report containing those Financial Statements has been adopted by Council, is available to the general public.

The information required to be included cannot be excluded because the related party considers it "Commercial in Confidence", or otherwise non-disclosable.

Information about the underlying data could be requested under the Right to Information Act. Council's usual practice is to consult with the individual before complying with such a request. All Council information is available to the Internal and External Auditors and Council senior management.

## PROVIDING DRAFT REPORTS

When the information gathered for related parties has been collated, any part of the report relating to a named KMP will be provided to that person, to provide an opportunity for comment, before it is imported into the financial report. If no comment is received before the required time, it is assumed the KMP has no objection to the content being disclosed.

## RELEVANT LAW

*Local Government Act 2009 (Act)*

*Local Government Regulation 2012 (Regulation)*

*Right to Information Act 2009*

*Information Privacy Act 2009*

*Australian Accounting Standard AASB 124 Related Party Disclosures (Standard)*

## RELATED POLICIES AND PROCEDURES

Nil

## RELATED FORMS

Declaration of Related Parties

Attached to policy

## DEFINITIONS

Nil

## APPROVAL

Council approved this policy on 27 June 2018.

## REVIEW

This policy will be reviewed every two years by Corporate Services Manager, Corporate and Community and is due for review in July 2020.

## REVISION HISTORY

Version	Meeting	Date	History
1	General Meeting	21/09/2016	New Policy
2	General Meeting	27/06/2018	Review

# Appendix A – Declaration of related parties

**CONFIDENTIAL**



## Related Parties Declaration by Key Management Person

Name	
Position	

<b>Details of known close family members:</b>	See policy for definitions.	
<b>Name</b>	<b>Address</b>	<b>Relationship</b>
Use additional sheets if required.		

<b>Details of Related entities</b>	See policy for definitions.	
<b>Name and description of Entity</b>	<b>Address</b>	<b>Relationship</b>
Use additional sheets if required.		

Unusual transactions with Council and other information	

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 Related Persons Policy of Council.

Name of KMP: \_\_\_\_\_

Signature of KMP: \_\_\_\_\_ Date: \_\_\_\_\_

North Burnett Regional Council is collecting this information for the purposes of identifying related party transactions in its financial statements. This information will not be disclosed to any third party except as required by the Australian Accounting Standards or by law.