

Title:	Related Party Disclosures
Policy No:	087
Adopted By:	Council
Next Review Date:	30/04/2018
Responsibility:	General Manager City Performance
Document Number:	3575740

Version	Decision Number	Adoption Date	History
1	21\5533	27/06/2017	New policy adopted
2			
3			

1 Policy Summary

The Local Government Act requires that Council's general purpose financial statements (GPFS) comply with accounting standards. The Australian Accounting Standards Board (AASB) requires Council's GPFS to include disclosures in respect of transactions with related parties (AASB 124).

This policy provides a policy statement to assist interpreting and compliance with AASB 124.

2 Policy Objectives

- Expedite and facilitate compliance.
- Minimise risk of non-compliance.
- Minimise the risk of Audit issuing a qualified opinion, matter of emphasis or adverse observation in respect Council's general purpose financial statements (GPFS), in respect of related party disclosures.
- Cost effective compliance.
- Avoid unnecessary intrusion of privacy.

3 Background

Councils must comply with accounting standards in the preparation of audited GPFS.

AASB 124 requires that Council's GPFS include disclosures in relation to transactions with related parties. It applies to local governments for financial years commencing 1 July 2016.

The stated objective of the standard:

"The objective of this Standard is to ensure that an entity's financial statements contain the disclosures 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"

What does compliance mean?

What this means is that any transactions that the Council makes with a related party must be summarised and disclosed in the audited financial statements.

What is a related party?

- A related party can be a person or entity.
- A person or a close member of their family is a related party if the person is a member of key management personnel of the Council.
- An entity is a related party if it is controlled (or joint controlled) by a person who is a related party.
- An entity is not a related party just because it has Key Management Personnel (KMP) in common.

4 Policy Statement

Council will prepare and report related party disclosures in accordance with Australian Accounting Standard requirements. A system and processes to identify, monitor and disclose related party transactions to manage the risk of non-compliance with the related party disclosure objectives of the Australian Accounting Standards will be implemented.

4.1 Key Management Personnel

KMP are considered to be the elected members and members of the Executive Leadership Team of Council. For the avoidance of doubt entities (such as a limited liability company) controlled by any of the related parties above are also considered a related party.

4.2 Identifying Related Party Transactions

- Main reliance - KMP to complete annual declaration by 31 July for the immediate preceding financial year.
- Secondary reliance - Procurement processes to require tenders and new vendors to identify whether or not they are related parties as from 1 July 2017.
- It may be necessary to carry out other reasonable checks to verify information.

4.3 Reporting Related Party Transactions

Council has adopted the South Australian model financial statements as a basis for its GPFS. Therefore the reporting will be as close as possible to that and/or any other NT guidelines or mandates.

Individual KMP will not be identified by name in the Council's disclosures and their privacy will be protected.

5 Legislation, terminology and references

5.1 Referenced Legislation and Documents

- The Local Government Act 2013 - **Section 131 (3) Local Government Act (NT):** *"The annual financial statement must conform with the accounting standards and other requirements stipulated in the regulations."*
- The Privacy Act 1988 (Commonwealth)
- City of Darwin Policy no. 078 Privacy & Confidentiality
- AASB10 and appendices - Consolidated Financial Statements
- AASB124 – Related Party Disclosures.

5.2 Definitions

Close family members or close members of the family - In relation to a key management person, family members who may be expected to influence, or be influenced by, that key management 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;
- c) dependants of that person or that person's spouse or domestic partner.

For the purposes of AASB 124, 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 key management person in their dealings with council.

Control – Control of an entity is present when there is:

- a) power over the entity; and
- 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 amount of returns received, as determined in accordance with AASB10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).

Joint Control – 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.

Key Management Personnel (KMP):

KMP are considered to be Elected Members and the Executive Leadership Team members of Council

Materiality – factors and thresholds determined by the Council's external auditors in consultation.

Ordinary citizen transactions (OCTs) – transactions that an ordinary citizen would undertake with Council, which are undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature include:

- a) paying rates and utility charges
- b) Using Council's public facilities after paying the corresponding fees;
- c) Fees and charges approved by Council that are on the terms and conditions to the general public and by their nature or amount are not material.

Privacy – The privacy of elected members and members of the Executive Leadership Team who are KMP is governed by Policy no. 078 Privacy and Confidentiality in relation to disclosure of an individual's information.

Related Party – a person or entity that is related to council as defined in AASB124, paragraph 9. Examples of related parties are:

- a) key management personnel;
- b) close family members of key management personnel;
- c) entities that are controlled or jointly controlled by KMP or their close family members.

Related Party Transaction – is 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) development applications;
- f) leases;

- g) commitments to do something if a particular event occurs or does not occur in the future;
- h) settlement of liabilities on behalf of council or by council on behalf of that related party.

6 Implementation and delegation

The General Manager City Performance is responsible for implementation of this policy.

7 Evaluation and review

This policy should be reviewed once in the term of each Council or more often as required.