



# RELATED PARTY GUIDELINE

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4			

## 1. OBJECTIVE

The objective of this guideline is to detail the handling process of, and the timely, efficient and reliable procedures for dealing with the collection of necessary related party transactions and related party transaction documents involving persons in a position of influence for the Goondiwindi Regional Council.

## 2. BACKGROUND

Pursuant to Section 177 of the *Local Government Regulation 2012*, a local government's general purpose financial statements must be prepared in compliance with the following documents (each a prescribed accounting standard) published by the Australian Accounting Standards Board (AASB):

- (a) Australian Accounting Standards;
- (b) Statements of Accounting Concepts;
- (c) Interpretations; and
- (d) Framework for the preparation and presentation of financial statements.

The requirements of AASB 124 'Related Party Disclosures' have applied to local government annual reporting periods beginning 1 July 2016.

The AASB provides that the objective of AASB 124 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

### 3. PURPOSE

The purpose of this Guideline is to provide guidance to Goondiwindi Councillors and Key Management Personnel (KMP) to ensure Council's compliance with AASB 124 'Related Party Disclosures'. This Guideline will provide a systematic approach to discern related parties, for approved related party transactions and for proper identification, recording and reporting of such transactions.

This Guideline will be applied in:

- Identifying KMP;
- Identifying related party relationships and transactions;
- Identifying outstanding balances, including commitments, between Council and its related parties;
- Identifying the circumstances in which disclosure is required; and
- Determining the specific disclosures to be made.

### 4. SCOPE

The basis matter of this guideline is to identify who the related parties of Goondiwindi Regional Council are, examining and disclosing related party transactions while adhering to the principles in Goondiwindi Regional Council's Information Privacy procedure.

Related party transactions include:

- Transfer of resources, services or obligations between a reporting entity and a related party
- Rendering of services
- Settlements of loans, purchase of goods/ services/ property
- Loans
- Equity contributions
- Guarantees
- Commitments
- Transactions that occur on terms and conditions that are different to those offered to the general public

Goondiwindi Regional Council should ensure that related party transactions are recorded in a related party register which has restricted access and enforce the preparation of the related party disclosure note which will summarise the information from the related party register and financial amounts will be reported as aggregate totals.

In the case that Councillors and staff are affected by a related party transaction, each will be informed by receiving a copy of the intended related party disclosure and will be required to comment or raise any concerns on the transaction.

In any event where the KMP, their close family members and related entities change, KMPs should inform Council by disclosing the changes in the KMP Declaration Form within 30 days of the change (*see Attachment 1 to this Guideline*).

At the time of each quadrennial election, all outgoing Councillors will update and re-sign their KMP Declaration Forms. New KMP declaration forms will be completed by all Councillors after each quadrennial election.

## **5. IDENTIFICATION OF KEY MANAGEMENT PERSONNEL**

KMP are defined in AASB 124 as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity.

In the context of Goondiwindi Regional Council, KMP are considered to include:

- (i) The Mayor and Councillors;
- (ii) Chief Executive Officer; and
- (iii) Directors.

## **6. IDENTIFICATION OF RELATED PARTIES**

Having regard to the definitions contained in the AASB 124, a related party is a person or entity that is related to Goondiwindi Regional Council as outlined below.

### **6.1. Persons considered to be related to Goondiwindi Regional Council**

A person or a close member of that person's family is related to Goondiwindi Regional Council if that person:

- (i) Has control or joint control of Goondiwindi Regional Council;
- (ii) Has significant influence over Goondiwindi Regional Council; or
- (iii) Is a member of the KMP of Goondiwindi Regional Council.

A close member of the family of a person, are those family members who may be expected to influence, or be influenced by, that relevant person in their dealings with Goondiwindi Regional Council and include:

- (i) That person's children and spouse or domestic partner;
- (ii) Children of that person's spouse or domestic partner; and
- (iii) Dependents of that person or that person's spouse or domestic partner.

### **Practical Examples of Related Persons**

Below are some practical examples of possible related persons to Goondiwindi Regional Council:

- The children of a member of Goondiwindi Regional Council's KMP.
- The spouse or domestic partner of a member of Goondiwindi Regional Council's KMP.
- The children of a spouse or domestic partner of a member of Goondiwindi Regional Council's KMP.

### **6.2. Entities considered to be related to Goondiwindi Regional Council**

An entity is considered related to Goondiwindi Regional Council if any of the following conditions applies:

- (i) The entity and Goondiwindi Regional Council are members of the same corporate group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- (v) The entity is a post-employment benefit plan for the benefit of employees of either Goondiwindi Regional Council or an entity related to Goondiwindi Regional Council.
- (vi) The entity is controlled or jointly controlled by a person related to Goondiwindi Regional Council (outlined above).
- (vii) A person who has control or joint control of Goondiwindi Regional Council has significant influence over the relevant entity or is a member of the KMP of the entity.
- (viii) The entity, or any member of the group of which it is a part, provides KMP services to Goondiwindi Regional Council.

### **Practical Examples of Related Entities**

Below are some practical examples of possible related entities to Goondiwindi Regional Council:

- A company, which is controlled or jointly controlled by a member of Goondiwindi Regional Council's KMP.
- A company, which is controlled or jointly controlled by a close family member of Goondiwindi Regional Council's KMP.
- A subsidiary company of Goondiwindi Regional Council.

## **7. REQUIRED DISCLOSURES**

AASB 124 provides that Goondiwindi Regional Council must disclose the following financial information in the financial statements for each financial year period.

### **7.1. Disclosure of relationship between Goondiwindi Regional Council and its subsidiaries**

Goondiwindi Regional Council must disclose in the annual financial statements its relationship with any subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.

### **7.2. KMP Compensation Disclosures**

Goondiwindi Regional Council must disclose in the annual financial statements KMP compensation (as defined in definitions) in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits; and
- Termination benefits.

### **7.3. Related Party Transactions Disclosures**

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. Such transactions may include:

- Purchase or sale of goods;
- 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 Goondiwindi Regional Council or by Goondiwindi Regional Council on behalf of the related party.

Goondiwindi Regional Council must disclose all material and significant related party transactions in the annual financial statements and include the following details:

- (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;
- (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 non-exempt transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, and to determine the significance of such transactions.

### **Practical Examples of Transactions to be disclosed**

Below are some practical examples of transactions, which may be considered to be disclosed:

- A KMP of Goondiwindi Regional Council is the Director of a company, which provided services to Goondiwindi Regional Council during the relevant period.
- A KMP of Goondiwindi Regional Council is a Director of an entity, which Goondiwindi Regional Council paid a membership fee to for the relevant period.

## **8. EXEMPT RELATED PARTY TRANSACTIONS – ORDINARY CITIZEN TRANSACTIONS (OCTS)**

Related party transactions are not required to be disclosed in situations where a similar transaction would be applicable to the community generally and on similar terms. For example, the payment of rates by a KMP or the payment of a fee by a KMP to utilise the Goondiwindi Library.

These are transactions undertaken by an ordinary citizen with Goondiwindi Regional Council on the same conditions as every other ratepayer. Examples of the transactions are: utility charges, paying rates and fines. Infrastructure charges and purchase of goods are seen by the Department of Infrastructure, Local Government and Planning as not inclusive as OCTs.

## **9. ROLES AND RESPONSIBILITIES**

A requirement for KMP to update their register of interests in accordance with the *Local Government Act 2009* exists under section 171B. The section outlines the requirements as follows:

*(1) This section applies if—*

*(a) a councillor has an interest that must be recorded in a register of interests under a regulation in relation to the councillor or a person who is related to the councillor; or*

*(b) there is a change to an interest recorded in a register of interests under a regulation in relation to a councillor or a person who is related to a councillor.*

*(2) The councillor must, in the approved form, inform the chief executive officer of the particulars of the interest or the change to the interest within 30 days after the interest arises or the change happens.*

*Maximum penalty—*

*(a) if the councillor fails to comply with subsection (2) intentionally—100 penalty units; or*

*(b) otherwise—85 penalty units.*

*(3) For subsection*

*(1), a person is related to a councillor if—*

*(a) the person is the councillor's spouse; or*

*(b) the person is totally or substantially dependent on the councillor and—  
the person is the councillor's child; or*

*the person's affairs are so closely connected with the affairs of the councillor that a benefit derived by the person, or a substantial part of it, could pass to the councillor.*

In addition, KMP are required to complete the annual declaration listing stating the close family members who may influence or have influence in their dealings with Goondiwindi Regional Council and any entities that are controlled by the listed family members.

Goondiwindi Regional Council's Senior Accountant will identify and record all relevant related party transactions in the related party register. Subsequent to assessing the information in the related party register this information will be summarised in the related party disclosure note to the annual financial statements.

## **10. RECORDING RELATED PARTIES, RELATED PARTY TRANSACTIONS AND ORDINARY CITIZEN TRANSACTIONS.**

Management of Goondiwindi Regional Council is to implement and enforce a suitable system to identify record and monitor related party transactions, relationships and entities. The collected information is to be provided to Goondiwindi Regional Council's external auditors. This system and the Policy should be reviewed bi-annually. In conjunction with the system and Policy, the Register of Interests should also be considered in assisting with identifying and updating existing or new related party information.

## 11. DEFINITIONS

**AASB** – means the Australian Accounting Standards Board.

**Annual Financial Statements** – means the financial reports based on a 12- month consecutive time period. It includes a cash flow statement and a balance sheet.

**Entity** – can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

**Key Management Personnel (KMP)** – (see also section 5 of this guideline) is defined in the *Local Government Regulation 2012* to include Councillors, the Chief Executive Officer and Senior Executive Employees. Further defined in AASB 124 – Related Party Disclosures are “those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity”. For the purpose of this guideline, key management personnel will be aligned with the definition within the *Local Government Regulation 2012*.

**KMP Compensation** – includes all forms of consideration paid, payable or provided by Goondiwindi Regional Council in exchange for services provided, and includes:

1. 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 twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees;
2. Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
3. 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 twelve months after the end of the period, profit sharing, bonuses and deferred compensation;
4. Termination benefits; and
5. Share-based payment.

**Material (materiality)** – means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity’s financial statements. For the purpose of this guideline, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

**Ordinary Citizen Transactions (OCTs)** – means transactions that any ordinary citizen would undertake with council such as: utility charges, paying rates and fines on normal everyday terms and conditions.

**Register of Interests** – means a register of Councils shareholdings; financial and non- financial interest including interests of close family members.

**Related Party** – is an affiliate; an employee; members of the immediate family of an employee; and persons having a controlling influence on controlled entities.

**Related Party Transaction** – is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

**Significant (significance)** – means likely to influence the decisions that users of the Council’s financial statements make having regard to both the extent (value and

frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/taxpayer relationship.

## **12. REVIEW DATE**

March 2023

## **13. RELATED DOCUMENTS & LEGISLATION**

- *Local Government Act 2009*
- Local Government Regulation 2012
- Australian Accounting Standards and interpretations
- *Information Privacy Act 2009*

## **14. ATTACHMENTS**

1. Example Declaration by Key Management Personnel



**Declaration by Key Management Personnel**  
**Private and Confidential**

**Related Party Declaration by Key Management Personnel**

Name of Key Management Person (KMP): .....

Position of Key Management Person: .....

*(List details of:*

- *known close family members,*
- *entities that are controlled or jointly controlled by KMP and*
- *entities that are controlled or jointly controlled by the close family members of KMP)*

Name person or entity

Relationship

.....	.....
.....	.....
.....	.....
.....	.....

I, ....., *Councillor*, 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 .....

Date: .....

Signature of KMP: .....

Name of KMP: .....

Signature of Witness: .....

Name of Witness: .....

Qualification: .....