

 Central Highlands Regional Council	CENTRAL HIGHLANDS REGIONAL COUNCIL POLICY	
	TITLE: Related Party Disclosure	POLICY REF NO: CHRCP: 0016

1.0 Policy Purpose

- 1.1 This policy sets out the guidelines for the identification and reporting of related party transactions to meet financial reporting obligations.
- 1.2 From 1 July 2016, the Australian Accounting Standards Board has determined that AASB 124 Related Party Disclosures will apply to government entities, including local governments.
- 1.3 Related parties under this standard may differ to those listed on Council's Register of Interest which is required under Local Government Regulation 2012.
- 1.4 Local governments must disclose related party relationships, transactions and outstanding balances, including commitments, in the annual financial statements.
- 1.5 This information will be audited as part of the annual external audit by Queensland Audit Office.

2.0 Policy Statement

- 2.1 Related parties include both related entities and related persons.
- 2.2 Entities controlled by Council, jointly controlled by Council, or over which Council has a significant influence, are related parties of Council.
- 2.3 Related parties also include the Mayor, Councillors, Chief Executive Officer (CEO), General Managers, their close family members and any entities that they control, or jointly control to have significant influence over.
- 2.4 Any transaction between Council and these parties, whether monetary or not, may need to be identified and disclosed.

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3.0 Identification and Recording of Related Parties and Related Party Relationships

- 3.1 Related parties for Key Management Personnel will initially be identified by self-assessment. Key Management Personnel of Council will make regular declarations of related parties. A sample of such declaration is included in Appendix 1 – Related party declaration.
- 3.2 Governance and Finance will provide information to assist KMP in making this declaration. A fact sheet for this purpose, which includes an example of the financial statement disclosure, is included in Appendix 2 – Fact Sheet – Related Party Disclosures for KMP. The risk inherent in the system of self-assessment will be monitored by Governance, including having regard for errors and omissions in KMP declarations. A determination of Council’s related parties will be made in conjunction with the Governance and Finance sections.
- 3.3 Related party relationships will be confidentially recorded by the Finance team and all financial transactions between Council and these parties will be identified, captured and reported where required.
- 3.4 Initial identification and recording of non-financial transactions will be the responsibility of the Governance section. Key Management Personnel should notify the Manager of Governance of any non-financial transactions of which they become aware.
- 3.5 The process for identification, validation and recording of related parties will be documented for external audit requirements.

4.0 Systems to Record Related Party Transactions

- 4.1 Both Finance and Governance are responsible for determining the terms and conditions of related party relationships and developing appropriate systems to monitor and report these transactions. This will include implementing an automated system within the accounting system to: record related party relationships in a Register format; capture all financial transactions between Council and these parties; and provide a reporting process for these relationships and transactions.
- 4.2 Non-financial transactions identified to or by Governance noted above will also be identified and recorded for reporting in Council’s financial statements.

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4.3 The process for the identification, validation and recording of related parties will be documented for external audit requirements.

5.0 Materiality Assessment and Disclosure

5.1 Prior to preparing the disclosure in Council's annual financial statements, related party transactions will be assessment for materiality in accordance with materiality guidelines provided under the Australian Accounting Standards. Assessment materiality requires judgement and should be done in consultation with the Audit Committee and External Auditor.

6.0 Identification of Ordinary Citizen Transactions

6.1 Ordinary Citizen Transactions (OTC) are those transactions that an ordinary citizen would undertake with Council and do not require disclosure under this policy.

6.2 Examples of OCT's that will not require disclosure are:

6.2.1 Rates and utility charges

6.2.2 Fees and charges included in Council's register of fees and charges

6.2.3 Fines and penalties included in Council's register of Local Laws and Subordinate Local Laws

6.2.4 Attendance of Council functions which are open to the general public

6.2.5 Visiting Council facilities which are open to the general public

6.3 The OCT's listed above will not be excluded from non-disclosure under this policy if:

6.3.1 The terms and conditions of the OCT are different to those offered to the general public

6.3.2 They have a financial value, either individually or collectively, that is considered material.

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7.0 Responsibility and Accountability for Declarations by KMP

7.1 Related party self-assessment declarations by KMP will be made initially in July 2016 and will then be required to be updated every six (6) months. Declarations will also be required within six weeks of the following events occurring:

7.1.1 Local Government Election

7.1.2 Appointment of a new CEO or Member of the Executive Leadership Team

7.1.3 Corporate Restructure

7.1.4 KMP enters into a new relationship which would meet the definition of a “related party”.

8.0 Privacy and Confidentiality

8.1 Related party declarations by KMP will be treated as confidential and access to this information will be closely restricted. Information will only be available to those staff members within Governance and Finance, who are assisting the KMP or providing information to satisfy external audit requirements. Staff members having access to this information will be made aware of Council’s Code of Conduct in relation to privacy, the *Information Privacy Act 2009* and section 200 of the *Local Government Act 2009*, which governs the use of information by local government employees.

3.0 Definitions

3.1 **CEO** refers to Chief Executive Officer

3.2 **Council** refers to Central Highlands Regional Council

3.3 **The Act** shall mean *Local Government Act 2009* (as amended).

3.4 **The Regulation** shall mean the *Local Government Regulation 2012* (as amended).

3.5 **Key Management Personnel (KMP)** are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

3.6 **Related Party** is a person or entity that is related to Council.

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

3.8 **Related Person** is a person or close family member that has control or joint control of Council, has significant influence over Council, or is a member of the KMP of Council. May be different to those persons for whom a register of interests is kept under *Local Government Regulation 2012*.

3.9 **Related Entity** an entity is related if:

- it is controlled or jointly controlled by Council;
- it is or can be significantly influenced by Council;
- it is controlled or jointly controlled by a related person of Council;
- a related person of Council has significant influence over it or is a KMP of the entity;
- the entity is a post-employment benefit plan for the benefit of employees of Council or entities related to Council.

3.10 **Close Family Members** are family members who may be expected to influence, or be influenced by, that person in their dealings with Council. Specifically:

- the person’s children and spouse (or domestic partner);
- children of that person’s spouse (or domestic partner);
- dependents of that person or that person’s spouse (or domestic partner).

3.11 **Ordinary Citizen Transactions (OCT)** are transactions that an ordinary citizen would undertake with Council.

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Strategic Link	AASB 124 Related Party Disclosures AASB 128 Investments in Associates and Joint Ventures Information Privacy Act 2009 Local Government Act 2009 Local Government Regulation 2012
Category	Organisational Elected Members
Lead Business Unit	Finance
Public Consultation	No
Adoption Date	11/02/2020
Next Review Due	
Document Number	969304
Record Keeping	ECM, Vine and Council Website
Related Documents	Related Party Declaration Form Fact Sheet: Related Party Disclosures for KMP Register of Interests Register of Local Laws and Subordinate Local Laws Register of Fees and Charges Workflow of System Register of Related Party Transactions Council's Employee Code of Conduct Code of Conduct for Councillors

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