
POLICY NAME: **Related Party Disclosure**

POLICY NUMBER: **F027**

ADOPTED: **19 February 2025**

POLICY OWNER **Corporate and Financial Services**

PURPOSE: The purpose of this Policy is to provide guidance to Councillors and Management to ensure Council's compliance with *AASB 124 Related Party Disclosures*. It provides a systematic approach to discern related parties, and for the proper identification, recording and reporting of such transactions.

1. SCOPE

This policy relates to all transactions undertaken and commitments made by Council.

This Policy will be applied in:

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

2. POLICY OBJECTIVE

The main objective of this policy is to ensure compliance with Australian Accounting Standards and Interpretations and legislation in relation to Related Party Disclosures required for Council's annual financial statements.

3. HEAD OF POWER

Section 177 of the *Local Government Regulation 2012* requires that general purpose financial statements be prepared in compliance with the following documents published by the Australian Accounting Standards Board (AASB):

6. Australian Accounting Standards;
7. Statements of Accounting Concepts;
8. Interpretations; and
9. Framework for the preparation and presentation of financial statements.

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

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.

4. DEFINITIONS

To assist in the interpretation of this Policy the following definitions apply:

Act - means *Local Government Act 2009*

Close members 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 Barcaldine 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. dependants 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 (KMP) - is defined in AASB 124 *Related Party Disclosures* 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".

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

- i. Short-term employee benefits, such as wages, salaries, 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 housing, cars and free and subsidised goods or services) for current employees;
- ii. Post-employment benefits such as superannuation and other retirement benefits;
- iii. Other long-term employee benefits, including long-service leave or sabbatical leave, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, bonuses and deferred compensation; and
- iv. Termination benefits.

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 of an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements.

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 a related party outside of a public service provider/ taxpayer relationship.

5. IDENTIFICATION OF RELATED PARTIES

PERSONS

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

- (i) has control or joint control of Barcaldine Regional Council;
- (ii) has significant influence over Barcaldine Regional Council; or
- (iii) is a **KMP** of Barcaldine Regional Council.

In addition to the definition of *close members of the family of a person* above, other

family members who could be expected to influence, or be influenced by, that person in their dealings with Barcaldine Regional Council include that person's:

- (i) brothers and sisters;
- (ii) aunts, uncles and cousins;
- (iii) parents and grandparents.

KEY MANAGEMENT PERSONNEL

KMP are defined in AASB 124 *Related Party Disclosures* 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.

For Barcaldine Regional Council, KMP have been identified as:

- (i) the Mayor and Councillors;
- (ii) Chief Executive Officer;
- (iii) Director Corporate and Financial Services;
- (iv) Director of Works;
- (v) Human Resources Manager
- (vi) Regional Operations Manager; and
- (vii) District Managers.

ENTITIES

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

- (i) The entity and Barcaldine 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 Barcaldine Regional Council or an entity related to Barcaldine Regional Council.
- (vi) The entity is controlled or jointly controlled by a person related to Barcaldine Regional Council (outlined above).

- (vii) A person who has control or joint control of Barcaldine Regional Council has significant influence over the relevant entity or is a member of the KMP of the entity.

The entity, or any member of the group of which it is a part, provides KMP services to Barcaldine Regional Council.

6. RESPONSIBILITY FOR THE IDENTIFICATION OF RELATED PARTIES

It is the responsibility of each KMP to identify and disclose their related parties.

7. REQUIRED DISCLOSURES

AASB 124 *Related Party Disclosures* provides that Barcaldine Regional Council must disclose the following financial information in the financial statements for each financial year.

Disclosure of relationship between Barcaldine Regional Council and its subsidiaries

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

Disclosure of KMP Compensation

Barcaldine Regional Council must disclose **KMP compensation** in total and for each of the following categories:

- (i) Short-term employee benefits
- (ii) Post-employment benefits
- (iii) Other long-term benefits
- (iv) Termination benefits.

Disclosure of Related Party Transactions

Barcaldine Regional Council must disclose all **material** related party transactions in the 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 transactions;
- 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.

Examples of **Related Party transactions** include:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Commitments; and
- Settlement of liabilities on behalf of Barcaldine Regional Council.
- Settlement by Barcaldine Regional Council on behalf of the related party.

Categories of Disclosure

Disclosure of related party transactions shall be made separately for each of the following categories:

- (i) subsidiaries
- (ii) associates
- (iii) joint ventures in which the entity is a joint venturer
- (iv) KMP
- (v) Other related parties.

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.

Items of a similar nature may be disclosed *in aggregate* except when separate disclosure is necessary for an understanding of the effects of the related party transactions on the financial statements.

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.

8. EXEMPT DISCLOSURES

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 the entry fee by a KMP to utilise the swimming pool.

9. REVIEW

KMP are required to update their KMP Declaration Form whenever there is a change, or, in any case, review their KMP Declaration Form on an annual basis.