

Council Policy 3.7

Related Party Transaction and Disclosure

Strategic Plan Objective

To achieve the EMRC Plan for the Future in accordance with the revised *10 Year Strategic Plan 2017-2027* and the *Sustainability Strategy*.

Purpose

To ensure that the Eastern Metropolitan Regional Council's (EMRC) Financial Statements contain disclosures necessary to comply with the Australian Accounting Standard AASB 124 Related Party Disclosures, which draws attention to the possibility that the EMRC's financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances and commitments with such parties.

Legislation

Local Government Act 1995

Local Government (Model Code of Conduct) Regulations 2021

Local Government (Financial Management) Regulations 1996

Australian Accounting Standard AASB 124 Related Party Disclosures

Policy Statement

The Related Party Disclosure Policy aims to assist Council in complying with the disclosure requirements and the level of reporting within the Financial Statements as per AASB124 Related Party Disclosures. It aims to define the parameters for related party transactions and the level of disclosure and reporting.

Scope

The Policy is to be applied in:

- Identifying and recording related parties and related party relationships;
- Identifying and recording related party transactions and their terms and conditions;
- Assessing materiality and or significance of these transactions;
- Identifying the circumstances in which disclosure is required;
- Determining the disclosures to be made about those items in the general purpose Financial Statements for the purpose of complying with the AASB 124; and
- Disclosing relevant information in the Financial Statements.

Definitions

1 Related Party

A person or an entity that is related to the EMRC, referred to as the “reporting entity”.

Examples of related parties of the EMRC are:

- Council Subsidiaries;
- Key Management Personnel (KMP);
- Close family members of KMP; and
- Entities that are controlled or jointly controlled by KMP or their close family members.

2 Key Management Personnel (KMP)

A person or persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director (executive or otherwise) of that entity. In the case of the EMRC, KMP will include, but is not limited to, Councillors, CEO and Chiefs.

3 Close members of the family

Those are family members who may be expected to influence or be influenced by those individuals’ dealings with the EMRC and include:

- Children and spouse or domestic partner;
- Children of that person’s spouse or domestic partner; and
- Dependents of that person or that persons spouse or domestic partner.
- Under AASB 124, close members of the family could also include extended members of the family such as parents, siblings, grandparents, uncles/aunts or cousins if they could be expected to have influence or be influenced by the KMP in their dealings with the EMRC.

4 Related Party Transactions

These are a transfer of resources, services or obligations between the EMRC and a related party, regardless of whether there is a cost involved.

5 Ordinary Citizen Transaction

These are transactions that an ordinary citizen would undertake with the EMRC, which would be undertaken at arm’s length and in the ordinary course of carrying out the EMRC’s functions and activities. They would not be seen as material in nature.

Example of ordinary citizen transactions would be:

- The paying of disposal charges at EMRC facilities; and
- The purchase of saleable products from EMRC facilities.

6 Control

The power to govern the financial and operating policies of any entity to obtain benefits from its activities.

7 Significant Influence

The power to participate in the financial and operating policy decision of an entity but not to control those policies.

Responsibilities

Key Management Personnel will include, but is not limited to, Councillors, CEO and Chiefs.

Recommended Practices

From 1 July 2016, AASB 124 Related Party Disclosures applies to the EMRC. This means that the EMRC will be required to disclose information about related parties and the EMRC's transactions with those related parties in the 2016-2017 Financial Statements and onwards. In the context of transactions, this means cash and non-cash transactions.

As the disclosures will form part of the Financial Statements, they will be subject to audit by the external auditors.

KMP will be identified and the position they hold with the EMRC disclosed. They will be required to complete a disclosure notification, which at minimum will require details of the related party, (family members and/or entities) that may have existing transaction potential with the EMRC and the relationship to the KMP.

In accordance with AASB 124 paragraph 17, the EMRC shall disclose compensation in total provided to KMP, and for each of the following categories:

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

For disclosure requirements of AASB 124, the EMRC shall implement a process to capture related party transactions for reporting in the Financial Statements. The following will be collated and recorded throughout each year:

- Related parties to the KMP;
- Relationship to KMP;
- Transactions that are monetary and/or non-monetary;
- The value of the transaction if monetary;
- The benefit if non-monetary;
- The value of outstanding balances;
- Details of commitments and/or guarantees; and
- Recognition for the provision of doubtful debts related to outstanding balances of related parties.

KMP who no longer hold that role with the EMRC will still be subject to disclosure requirements up until their status as KMP is no longer applicable. The same will apply for KMP who acquire the role in that year.

Once the related party transactions have been identified, they will be assessed by the Manager Financial Services and a determination will be made regarding the materiality of the transaction. This will include assessment of Ordinary Citizen Transactions and whether the terms and conditions differ from normal practice, which would then exclude them from being Ordinary Citizen Transactions.

If a Councillor believes a transaction may constitute a related party transaction, they must notify the CEO who will discuss the matter with the Manager Financial Services to confirm whether the transaction falls within the scope of this policy.

If an Employee believes a transaction may constitute a related party transaction, they must notify their supervisor or manager who will discuss the matter with the Manager Financial Services to confirm whether the transaction falls within the scope of this policy.

Related party disclosures in the Financial Statements are reported in aggregate and as such, individuals are not specifically identified nor a specific transaction. Management is required to exercise judgement in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and materiality.

Individuals may be specifically identified and separate disclosure may be necessary for an understanding of the effects of related party transactions on the financial statements, if the disclosure requirements of AASB 124 Related Party Disclosures so demands.

As the disclosures will form part of the Financial Statements, they will be subject to audit by the external auditors.

The Finance Team will be responsible for the maintenance of a register that captures all related party transactions of KMP.

Privacy

The EMRC will endeavour to ensure that only those staff and the external auditors who are involved in the preparation of the related party disclosures will have access to the related party declarations and related party transactions.

Adopted/Reviewed

22 June 2017

6 December 2018

23 June 2022

23 May 2024

Next Review

Following the Local Government Elections in 2025

Responsible Unit

Business Support Team