

### 1. Policy intent

The objective of this policy is to ensure that Council's financial statements comply with the disclosure requirements under the Australian Accounting Standard *AASB 124 Related Party Disclosures*. These disclosures draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances with such parties.

### 2. scope

2.1 This policy shall be applied by Tablelands Regional Council (Council) and its auditors in:

- a. identifying related party relationships and transactions;
- b. identifying outstanding balances between Council and its related parties;
- c. identifying the circumstances in which disclosure of the items in paragraphs (a) and (b) are required; and
- d. determining the disclosures to be made about the items in paragraphs (a) and (b).

2.2 This policy applies to all Councillors, managers, officers, employees, consultants and contractors of Tablelands Regional Council.

### 3. Background and source of legal obligations

3.1 Related party relationships are a normal feature of commerce and business. Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

3.2 The sources of legal obligations behind this Policy include:

- a. *Local Government Act 2009*
- b. *Local Government Regulation 2012*
- c. *AASB 124 Related Party Disclosures*
- d. *Australian Accounting Standards.*

### 4. Definitions

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

A **related entity** is a subsidiary, associate or joint venture or any other entity that is controlled or jointly controlled by related persons.

A **related person** includes key management personnel (KMP) and close family members of KMPs.

A **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.

**Close members of the family** of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

- (i) A person or close member of that person's family is related to a reporting entity if that person:
  - (i) has control or joint control over the reporting entity;
  - (ii) has significant influence over the reporting entity; or
  - (iii) is a member of the key management personnel of the reporting entity.

**Control** is the power to govern the financial and operating policies of any entity so as to obtain benefits from its activities.

**Significant influence** is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

**Key management personnel (KMP)** 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.

**Senior management** are those officers defined as such in the *Local Government Act 2009* (s196(5) and s201) and any other person occupying or acting in their position.

## 5. Disclosure requirements

- 5.1 Council shall report in its annual report details of remuneration, expenses incurred and facilities provided to Councillors as required under s186 of the *Local Government Regulation 2012*.
- 5.2 Council shall report in its annual report details of remuneration to senior management as required under s201 of the *Local Government Act 2009*.
- 5.3 Council shall disclose in its financial statements:
  - a. Related party
    - i. relationships;
    - ii. transactions (monetary and non-monetary);
    - iii. outstanding balances;
    - iv. commitments.
  - b. At a minimum, disclosures shall include:
    - i. the value of the transaction(s);
    - ii. the value of outstanding balance(s) and their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlement; and
    - iii. details of any guarantees given or received;
    - iv. provisions for doubtful debts related to the amount of outstanding balances; and
    - v. the expense recognised during the period in respect of bad or doubtful debts due from related parties.
  - c. Disclosures are to be made separately for the following categories:
    - i. subsidiaries;
    - ii. associates;
    - iii. joint ventures in which Council is a joint venturer;
    - iv. KMP and close family members;
    - v. other related entities.

## 6. Other concepts

Transactions with and amounts receivable from and payable to related parties of the Council which:

- 6.1 occur within a normal employee, customer or supplier relationship and at arm's length;
- 6.2 occur under normal terms and conditions;
- 6.3 are trivial or domestic in nature;
- 6.4 are individually or collectively immaterial,

shall be excluded from the detailed disclosures. Such transactions and amounts receivable or payable shall be disclosed in the financial statements by aggregate or general description. The arm's length principle is the condition or fact that the parties to a transaction are independent and on an equal footing. Normal terms and conditions are those that apply to the general public. Transactions or balances are trivial in nature when they are of little or no interest to the users of the financial report in making evaluation decisions about the allocation of scarce resources and are domestic in nature when they are related to a person's personal household activities. Materiality takes its meaning as defined in *AASB 101 Presentation of Financial Statements*.

## 7. Ordinary citizen transactions (OCT)

Transactions with related parties of the Council which are of a nature that any ordinary citizen would undertake will not be captured and reported. If an OCT occurs on terms and conditions that are different to those offered to the general public, the transaction will be captured and if required reported in the financial statements. Council's audit committee is to establish a list of examples of common OCTs for management and staff to follow.

## 8. Identification of related parties

Management is to implement a suitable system and processes to identify related parties. It is to be documented and this information provided to Council's external auditors. A review of related parties will be made every six months or sooner if required.

## 9. Process of capture of related party transactions

Management is to implement a system and processes for capture of related party transactions and record keeping requirements. This process outlines how transactions are identified and captured including the identification of transactions that do not pass through Council's accounting system and the capture of associated terms and conditions of related party transactions.

## 10. Privacy and freedom of information

Collection and storage of personal information is governed by Council's Privacy Statement, the *Privacy Act 1988* and the *Right to Information Act 2009*. Information provided by KMP and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance or legal reasons only.

## 11. Consequences of breach of this policy

Failure to disclose related party transactions will be deemed a breach of this policy and will be followed with disciplinary action. If applicable criminal proceedings will be brought against the offender.

## 12. Giving notice of a suspected related party transaction

If any Councillor believes that a transaction may constitute a related party transaction they must notify either the CEO or Deputy CEO who will discuss the issue with the Manager Finance.

If any employee believes that a transaction may constitute a related party transaction they must notify their supervisor or manager who will discuss the issue with the Manager Finance.

## 13. Training and communication

Council regularly communicates this policy to Councillors, management, officers, employees, consultants and contractors. Internal training on supporting this policy shall be scheduled as required.

## 14. Related documents

- 14.1 Register of Interest
- 14.2 TRC Privacy Statement and Terms and Conditions
- 14.3 Guideline for Managing Conflicts of Interest and Material Personal Interests (EX 1.1.13)
- 14.4 Code of Conduct for Councillors (EX 1.1.16)
- 14.5 Employee Code of Conduct (CCS 5.1.2)
- 14.6 TRC Values - The TRC Way (CCS 5.1.16)
- 14.7 Declaration of Potential Conflict of Interest (CCS 5.1.18).

## 15. Responsibility

Council is responsible for the adoption, amendment and repeal of the Policy and the Chief Executive Officer is responsible for the development and amendment of any associated procedures and guidelines relevant to the Policy.

## 16. Review

It is the responsibility of the General Manager Organisational Services to monitor the adequacy of this policy and recommend appropriate changes. This policy will be formally reviewed every three years or as required by Council.

This Policy is to remain in force until otherwise amended/repealed by resolution of Council.

**JUSTIN COMMONS**  
**CHIEF EXECUTIVE OFFICER**