

# RELATED PARTY DISCLOSURE POLICY

## ADMINISTRATIVE POLICY



### 1 Scope

This policy applies to related party transactions between Rockhampton Regional Council and related parties who include but may not be limited to Council's key management personnel, Councillors and their close family members.

### 2 Purpose

The purpose of this policy is to ensure relevant transactions are identified, recorded and disclosed in compliance with the Australian Accounting Standard AASB 124 *Related Party Disclosures* and the Australian Implementation Guidance for Not-For-Profit Public Sector Entities.

### 3 Related Documents

#### 3.1 Primary

Nil

#### 3.2 Secondary

*Local Government Act 2009*

*Local Government Regulation 2012*

*Right to Information Act 2009*

*Statutory Bodies Financial Arrangements Act 1982*

Australian Accounting Standard AASB 10 *Consolidated Financial Statements*

Australian Accounting Standards AASB 11 *Joint Arrangements*

Australian Accounting Standard AASB 124 *Related Party Disclosures*

Australian Accounting Standard AASB 128 *Investments in Associates and Joint Ventures*

Australian Implementation Guidance for Not-For-Profit Public Sector Entities

Code of Conduct

Expenses Reimbursement and Provision of Facilities for Mayor and Councillors Policy

Privacy Collection Notice Fact Sheet – Related Party Transactions Disclosures by Key Management Personnel

Privacy Policy

Register of Declarations and Related Party Transactions

Register of Interests

Related Party Disclosure Procedure

Related Party Transactions Notification by Key Management Personnel Form

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## 4 Definitions

To assist in interpretation, the following definitions apply:

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|--|--|
| Arm's length terms   | Terms between parties that are reasonable in the circumstances of the transaction that would result from:<br>(a) Neither party bearing the other any special duty or obligation;<br>(b) The parties being unrelated and uninfluenced by the other; and<br>(c) Each party having acted in its own interest.   |
| Associate  | In relation to an entity (the first entity), an entity over which the first entity has significant influence.  |
| CEO  | Chief Executive Officer<br>A person who holds an appointment under section 194 of the <i>Local Government Act 2009</i> . This includes a person acting in this position.   |
| Close family members or close members of the family <sup>1</sup> | In relation to a key management person, family members who may be expected to influence, or be influenced by, that KMP in their dealings with Council and include:<br>(a) That person's children and spouse or domestic partner;<br>(b) Children of that person's spouse or domestic partner; and<br>(c) Dependants of that person or that person's spouse or domestic partner.<br>For the purpose of the AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council. |
| Control  | Control of an entity is present when there is:<br>(a) Power over the entity;<br>(b) Exposure or rights to variable returns from involvement with the entity; and<br>(c) The ability to use power over the entity to affect the amount of returns received, as determined in accordance with AASB 10 <i>Consolidated Financial Statements</i> , paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).  |
| Council  | Rockhampton Regional Council   |
| Councillors  | The Mayor and Councillors of Council, within the meaning of the <i>Local Government Act 2009</i> .   |
| Joint control  | The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.  |
| Joint venture  | An arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.  |
| Joint venturer   | A party to a joint venture that has joint control of that joint venture.   |

<sup>1</sup> The definition of "close members of the family of a person" as contained in the AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a register of interests under the *Local Government Regulation 2012*.

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|                               |   |
|-------------------------------|---|
| KMP                           | <p>Key management personnel or key management person.</p> <p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, KMP of Council are:</p> <ul style="list-style-type: none"> <li>(a) The Mayor;</li> <li>(b) Councillors;</li> <li>(c) The CEO;</li> <li>(d) The Deputy Chief Executive Officer/General Manager Corporate Services;</li> <li>(e) Executive Manager Advance Rockhampton;</li> <li>(f) General Manager Regional Services; and</li> <li>(g) General Manager Community Services;</li> <li>(h) The Chief Financial Officer;</li> <li>(i) Executive Manager Workforce and Governance;</li> <li>(j) Manager Office of the Mayor; and</li> <li>(k) Manager Strategy and Planning.</li> </ul> <p>The definition excludes any persons acting in the roles for less than a four week period, unless otherwise nominated by the CEO.</p>  |
| Ordinary citizen transactions | <p>Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> <li>(a) Paying rates and utility charges; and</li> <li>(b) Using Council's public facilities after paying the corresponding fees.</li> </ul>  |
| Related party                 | <p>A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9. Examples of related parties of Council are:</p> <ul style="list-style-type: none"> <li>(a) Council subsidiaries;</li> <li>(b) KMP;</li> <li>(c) Close family members of KMP; and</li> <li>(d) Entities that are controlled or jointly controlled by KMP or their close family members.</li> </ul>   |
| RPT                           | <p>Related party transaction.</p> <p>A transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged. Examples of RPTs are:</p> <ul style="list-style-type: none"> <li>(a) Purchases or sales of goods, property and other assets;</li> <li>(b) Rendering or receiving of services and goods;</li> <li>(c) Leases;</li> <li>(d) Transfers under licence agreements;</li> <li>(e) Transfers under finance arrangements (example, loans);<br/><i>Note: Financial arrangements are subject to the Statutory Bodies Financial Arrangements Act 1982.</i></li> <li>(f) Provision of guarantees (given or received);<br/><i>Note: Guarantees are financial arrangements that are subject to the Statutory Bodies Financial Arrangements Act 1982.</i></li> <li>(g) Commitments to do something if a particular event occurs or does not occur in the future; and</li> <li>(h) Settlement of liabilities on behalf of Council or by Council on behalf of that related party.</li> </ul> |

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|-----------------------|--|
| RTI                   | Right to information   |
| Significant influence | The power to participate in the financial and operating policy decisions of another entity but is not in control or joint control of those policies, as determined in accordance with Australian Accounting Standard AASB 128 <i>Investments in Associates and Joint Ventures</i> , paragraphs 5 to 9. |

## 5 Policy Statement

This policy aims to assist Council in complying with disclosure requirements concerning KMP, their close family members and entities controlled or jointly controlled by any of them stipulated under the Australian Accounting Standard AASB 124 *Related Party Disclosures* and the Australian Implementation Guidance for Not-For-Profit Public Sector Entities (AASB 124).

### 5.1 AASB 124 Disclosure Requirements

#### 5.1.1 Disclosures

Annually from 1 July 2016, Council will make the following disclosures in its general purpose financial statements:

- (a) Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them.<sup>2</sup>
- (b) KMP compensation in total and for each of the following categories:<sup>3 4</sup>
  - (i) Short-term employee benefits;
  - (ii) Post-employment benefits;
  - (iii) Other long term benefits; and
  - (iv) Termination benefits.
- (c) Amounts incurred by Council for the provision of KMP services provided by a separate management entity.<sup>5</sup>
- (d) The information specified in paragraph 5.1.2 for RPTs with the following persons during the periods covered by the financial statement:<sup>6</sup>
  - (i) Council subsidiaries;
  - (ii) Entities who are associates of Council or of a Council subsidiary;
  - (iii) Joint ventures in which Council or a Council subsidiary is a joint venturer;
  - (iv) Council's KMP; and
  - (v) Other related parties, comprising:
    - A. A close family member of a KMP of Council;
    - B. Entities controlled or jointly controlled by a KMP of Council;
    - C. Entities controlled or jointly controlled by a close family member of a KMP of Council; and
    - D. Other entities as specified in the AASB 124, paragraph 9(b)(iii), (iv), (v) and (viii).

<sup>2</sup> See the AASB 124, paragraphs 13, Aus13.1, 14, 15, and 16.

<sup>3</sup> See the AASB 124, paragraphs 17 and 17A.

<sup>4</sup> Note: This requirement is in addition and separate to the disclosure of senior management remuneration in Council's annual report, pursuant to the *Local Government Act 2009*.

<sup>5</sup> See the AASB 124, paragraph 18A.

<sup>6</sup> See the AASB 124, paragraphs 18 to 24.

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### 5.1.2 Disclosed Information

For each category of RPTs specified in paragraph 5.1.1(d), Council will disclose the following information in Councils' general purpose financial statements:

- (a) The nature of the related party relationship;
- (b) The amount of the transactions;
- (c) 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 settlement; and
  - (ii) Details of any guarantees given or received;
- (d) Provisions for doubtful debts related to the amount of outstanding balances; and
- (e) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

### 5.1.3 In Aggregate or Separate

For each related party category specified in paragraph 5.1.1(d), Council will disclose information specified in paragraph 5.1.2 for RPTs of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of RPTs on the Council's financial statements, having regard to the following criteria:

- (a) The nature of the related party relationship;
- (b) The significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
- (c) Whether the transaction is carried out on non-arm's length terms; and
- (d) Whether the nature of the transaction is outside normal day-to-day business operations, based on the factors and thresholds determined by the Coordinator Accounting Services.

## 5.2 Identifying Council Related Party Relationships and Transactions

### 5.2.1 Identification

The Coordinator Accounting Services will identify Council subsidiaries, associates and joint ventures (incorporated and unincorporated) from the list of beneficial enterprises kept by Council pursuant to the *Local Government Act 2009*.

### 5.2.2 Control or Joint Control

To determine whether Council has control or joint control of an entity, the Coordinator Accounting Services will apply Australian Accounting Standards AASB 10 *Consolidated Financial Statements* and AASB 11 *Joint Arrangements*.

### 5.2.3 Associate or Joint Venture

To determine whether an entity is an associate of, or in a joint venture with, Council or a Council subsidiary, the Coordinator Accounting Services will apply AASB 128 *Investments in Associates and Joint Ventures*.

### 5.2.4 Electronic Investigation

The Coordinator Accounting Services will investigate, through Council's computerised business system, whether any identified Council subsidiaries, associates or joint venturers have an existing RPT with Council.

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### 5.2.5 Digital Extraction

The Coordinator Accounting Services will digitally identify and extract information specified in paragraph 5.1.2 against each existing RPT in Council's computerised business systems for the purpose of recording the RPTs and associated information in the Register of Declarations and RPTs.

### 5.2.6 Manual Investigation and Recording of Information

For RPTs that are not captured by Council's computerised business systems, the Coordinator Accounting Services will manually review the transactional documentation and record the information specified in paragraph 5.1.2 for the subject transaction in the Register of Declarations and RPTs.

## 5.3 Identifying RPTs with KMPs and their Close Family Members

### 5.3.1 RPT Notification

KMP must complete a RPT Notification by KMP Form notifying any existing or potential RPTs between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, subject to paragraph 5.3.6, to the Coordinator Accounting Services no later than the following periods during a financial year (specified notification period):

- (a) 30 days after a KMP commences their term or employment with Council; and
- (b) 30 June.

### 5.3.2 RPT Notification Form

At least 30 days before a specified notification period, the Coordinator Accounting Services will provide KMPs with a RPT Notification by KMP Form and a Privacy Collection Notice Fact Sheet.

### 5.3.3 Additional RPT Notifications

Also, during a financial year, if a KMP knows of any:

- (a) New or potential RPT that is or likely to be required to be disclosed; or
  - (b) Change to a previously notified RPT (including a change to a related party relationship),
- the KMP must provide additional RPT notifications no later than 30 days after the KMP knows of the transaction or change.

### 5.3.4 Suspected RPT

If a KMP suspects that a transaction may constitute a RPT, the KMP should provide a RPT Notification to the Coordinator Accounting Services for consideration and determination.

### 5.3.5 Other Notifications

The notification requirements in this paragraph are in addition to the notifications a KMP must make to comply with:

- (a) For Councillors, sections 175C and 175E of the *Local Government Act 2009* in relation to material personal interests and conflicts of interest; and
- (b) The recording of interests in a register of interests kept under the *Local Government Regulation 2012*.

### 5.3.6 Exclusions

The notification requirements in paragraph 5.3 do not apply to:

- (a) RPTs that are ordinary citizen transactions not assessed as being material as determined under paragraph 5.3.8; and

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- (b) For Councillors, expenses incurred and facilities provided to a Councillor during the financial year, under Council's Expenses Reimbursement and Provision of Facilities for Mayor and Councillors Policy.

### 5.3.7 Digital Extraction

The Coordinator Accounting Services will digitally identify and extract information specified in paragraph 5.1.2 against each notified RPT in Council's computerised business systems for the purpose of recording the RPT and associated information in the Register of Declarations and RPTs.

### 5.3.8 Other Sources of Information

To ensure RPTs are captured and recorded, the Coordinator Accounting Services may review other sources of information held by Council including, without limitation:

- (a) A Register of Interests of a KMP and of persons related to the KMP; and
- (b) Minutes of Council and committee meetings.

### 5.3.9 Manual Investigation and Recording of Information

For notified RPTs that are not captured by Council's computerised business systems, the Coordinator Accounting Services will manually review the transactional documentation and record the information specified in paragraph 5.1.2 for the subject transaction in the Register of Declarations and RPTs.

## 5.4 Ordinary Citizen Transactions

### 5.4.1 Non-Material in Nature

A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, RPTs that are ordinary citizen transactions assessed to be not material in nature.

### 5.4.2 Material in Nature

A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements in accordance with paragraph 5.1, RPTs that are ordinary citizen transactions assessed to be material in nature.

### 5.4.3 Materiality Assessment

The Coordinator Accounting Services will review and assess the materiality of RPTs that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the RPTs on the financial statements, having regard to the criteria specified in paragraph 5.1.3.

### 5.4.4 Digital Extraction

The Coordinator Accounting Services will digitally identify and extract information specified in paragraph 5.1.2 against each notified RPT that is an ordinary citizen transaction assessed as being material in nature in Council's computerised business systems for the purpose of recording the RPTs and associated information in the Register of Declarations and RPTs.

## 5.5 Register of Declarations and RPTs

### 5.5.1 Maintenance

The Coordinator Accounting Services must maintain a Register of Declarations and RPTs that captures and records information specified in paragraph 5.1.2 for each existing or potential RPT (including ordinary citizen transaction assessed as being material in nature).

### 5.5.2 Contents

The contents of the register must detail for each RPT:

- (a) The description of the RPT;
- (b) The name of the related party;

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- (c) The nature of the related party's relationship with Council;
- (d) Whether the notified RPT is existing or potential;
- (e) A description of the transactional documents the subject of the RPT; and
- (f) The information specified in paragraph 5.1.2.

## 5.6 Information Privacy

### 5.6.1 Confidential

The following information is classified as confidential, and is not available for inspection by or disclosure to the public, including through a RTI application:

- (a) Information provided by a KMP in a RPT Notification; and
- (b) Personal information contained in the Register of Declarations and RPTs.

### 5.6.2 When Consent Required

Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a RPT Notification by a KMP or contained in a Register of Declarations and RPTs, for any other purpose or to any other person except with the prior written consent of the subject KMP.

### 5.6.3 Permitted Recipients

The following persons are permitted to access, use and disclose the information (including personal information) provided in a RPT Notification or contained in the Register of Declarations and RPTs for the purposes specified in paragraph 5.6.4:

- (a) A Councillor;
- (b) The CEO;
- (c) The Chief Financial Officer;
- (d) The Coordinator Accounting Services;
- (e) Financial officers, responsible for the preparation of financial reporting, authorised by the Coordinator Accounting Services;
- (f) Members of Council's Audit Committee; and
- (g) An auditor of Council (including an auditor from the Queensland Audit Office).

### 5.6.4 Permitted Purposes

A person specified in paragraph 5.6.3 may access, use and disclose information (including personal information) in a RPT Notification or contained in the Register of Declarations and RPTs for the following purposes to:

- (a) Assess and verify a notified RPT;
- (b) Reconcile identified RPTs against those notified in a RPT Notification or contained in the Register of Declarations and RPTs;
- (c) Comply with the disclosure requirements of the AASB 124; and
- (d) Verify compliance with the disclosure requirements of the AASB 124.

### 5.6.5 Access by a KMP

An individual may access their personal information provided by a KMP in a RPT Notification or contained in the Register of Declarations and RPTs in accordance with Council's Privacy Policy.

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## 5.7 RTI Status

### 5.7.1 No Public Inspection

The following documents are not open to or available for inspection by the public:

- (a) RPT Notifications provided by a KMP; and
- (b) The Register of Declarations and RPTs.

### 5.7.2 Not RTI-Accessible

A RTI application seeking access to or release of:

- (a) A document or information (including personal information) provided by a KMP in a RPT Notification; or
- (b) Personal information contained in the Register of Declarations and RPTs,

will be refused on the grounds the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest under the Right to Information Act 2009.

### 5.7.3 Transactional Documentation

A RTI application seeking access to and release of transactional information and documentation the subject of a RPT with Council will be considered, assessed and decided in accordance with Council's RTI Policy.

## 6 Review Timelines

This policy is reviewed when any of the following occur:

- (a) The related information is amended or replaced; or
- (b) Other circumstances as determined from time to time by the CEO.

## 7 Document Management

|                        |                                |
|------------------------|--------------------------------|
| Sponsor                | Chief Executive Officer        |
| Business Owner         | Deputy Chief Executive Officer |
| Policy Owner           | Chief Financial Officer        |
| Policy Quality Control | Legal and Governance           |



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