

Related Parties Disclosure Policy

Council Policy 126

Hard copies of documents are uncontrolled and may not be current - please refer to the electronic version.



1. Purpose

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124 - Related Party Disclosures (AASB).

2. Scope

This policy applies to MacDonnell Regional Council (MRC) Elected Members and Key Management Personnel (KMP) as identified in 4.1 and 4.2.2.

3. Objectives

Council Policy 126 has the following objectives:

- To define Related Party in the context of MRC;
- to define Key Management Personnel in the context of MRC;
- to define close family in the context of MRC; and
- to outline action MRC will take to comply with AASB124.

4. Statement

Related Party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.

A related Party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a Related Party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Also, transactions between Related Parties may not be made on the same terms as between unrelated parties.

The normal business operations of Council may be affected by a Related Party relationship even if Related Party Transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another—for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessments of Council's operations by users of financial statements, including assessments of the risks and opportunities facing the Council.

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4.1 Key Management Personnel (KMP)

4.1.1 KMP are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

4.1.2 KMP of MRC in this policy are defined as:

4.1.2.1 Elected Members of Council;

4.1.2.2 Chief Executive Officer;

4.1.2.3 Directors; and

4.1.2.4 The Manager of Finance.

4.2 Related Party to MacDonnell Regional Council

A related party can be a person or another entity.

4.2.1 Person

4.2.1.1 A person is a related party if they are a member of the KMP of the Council, and close members of their family are also related parties.

4.2.1.2 Close members of family are defined to be those family members who may be expected to influence or be influenced by that person in their dealings. Under this policy these include:

4.2.1.2.1 Children over the age of 14 years.

4.2.1.2.2 Spouse or partner.

4.2.1.2.3 Dependents of the person or their spouse/parent over the age of 14 years.

4.2.1.3 However in certain situations other family members may also be defined to be related parties if they have influence or are influenced by that person. It is the responsibility of the key management person to disclose any relationship that may be considered to fit under this definition.

4.2.2 Entity

An entity is a related party to Council if it is:

4.2.2.1 Council Biz; or

4.2.2.2 it is controlled or jointly controlled by a person who is a related party.

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4.3 Control or joint control by a related party

4.3.1 The AAS describes control as follows:

- 4.3.1.1 Power over the entity;
- 4.3.1.2 exposure, or rights, to variable returns from its involvement with the entity, and
- 4.3.1.3 the ability to use their power to affect the amount of returns the person receives.

4.3.2 Two entities are not related parties to each other simply because they have a director or other member of KMP in common, or because a key management person of one entity has significant influence over the other entity.

4.4 Disclosing related parties

- 4.4.1 KMP of MRC will provide MRC with a list of related parties (close family and entities) at the start of each financial year.
- 4.4.2 KMP will be obligated to request the Director Corporate Services (DCS) to update this register at any time there are changes related to their parties
- 4.4.3 The DCS will maintain a register of all related party disclosures.
- 4.4.4 Council will maintain a procedure (PR126) to register any transactions that occur between the Council and any related persons or entities.

4.5 Required Disclosures and Reporting

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial period:

4.5.1 Disclosure of any related party relationship.

Council must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.

4.5.2 KMP Compensation Disclosures.

Council must disclose in the annual financial statements KMP Compensation for each of the categories of compensation (as defined in the definitions of AASB 124) in total.

4.6 Related Party Transactions Disclosures

4.6.1 Related Party Transactions are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

many voices, one dream, building a quality desert lifestyle

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- 4.6.5** 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.
- 4.6.6** All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

5. Policy Details

Replaces Policy No: (if applicable)	
Responsible Directorate/Department:	Director Corporate Services - Finance
Council Approval Date:	31 August 2018
Council Minutes Reference:	Minutes of the Ordinary Council Meeting Item 13.2
Review Cycle:	Annually and as required

6. Legislation and References

Related Legislation	Local Government Act (NT) 2008, Local Government (Accounting) Regulations, AASB124 Related Party Disclosure
Related Policies	Accounting and Policy Manual
Related Procedures	PR126 - Related Parties Disclosure Procedure
Associated Documents	R126 - Related Parties Transactions Register F126 - Related Parties Disclosure Form

7. Version Control

Version No	Council Approval Date	Policy No.	Council Minutes Approval (previous version)
1.0	31 August 18	CP126	Minutes of the Ordinary Council Meeting Item 13.2