

PRINCIPAL OFFICE:

8 Elizabeth Street, Maitland
Telephone (08) 8832 0000

ALL CORRESPONDENCE TO:

PO Box 57, MAITLAND, SA 5573

Fax (08) 8853 2494

Email: admin@yorke.sa.gov.au

Website: www.yorke.sa.gov.au



AASB124 RELATED PARTY DISCLOSURES

26 July 2017

BACKGROUND

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- Scope of AASB 124 Related Party Transactions has been expanded to cover not-for-profit public sector entities.
- Effective for annual reporting periods beginning on or after 1 July 2016.

For 30 June 2017 financial statements onwards, local governments must disclose related party relationships, transactions and outstanding balances, including commitments.

This information will be audited.

GENERAL INFORMATION

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SPECIFICS	AASB 124 DISCLOSURES IN THE FINANCIAL STATEMENTS
Purpose of disclosure	Disclose transactions between the Council and related parties of the Council to inform users of the financial statements.
What is included?	Transactions between the Council and related parties of the Council.
Who needs to be considered?	<ul style="list-style-type: none">- Key management personnel (KMP)- Close family members of KMP- Related entities of Council
Do any exemptions apply?	Non-material transactions, including those transactions available to all members of the public on the same terms.
Key items to disclose	<ul style="list-style-type: none">- The nature of transactions- The total transactions during the year (both receipts and payments)- Amounts due at the end of the year- Allowances for doubtful debts and amounts written off (if any)

INFORMATION REQUIRED

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- Council's KMP are required to periodically provide notifications of:
 - any existing or potential related party transactions between Council and any of their related parties; and
 - any changes to previously notified related party relationships and transactions.
- These requirements are in addition to the notifications KMPs are required to make under the Local Government Act 1999 including disclosures relating to Conflicts of Interest (material, actual or perceived) and Gifts and Benefits.
- Council's Auditors will audit related party information as part of the annual audit.

IMPLEMENTATION TIMELINE

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- To meet the requirements for the 2016-2017 Financial Statements the following is proposed:



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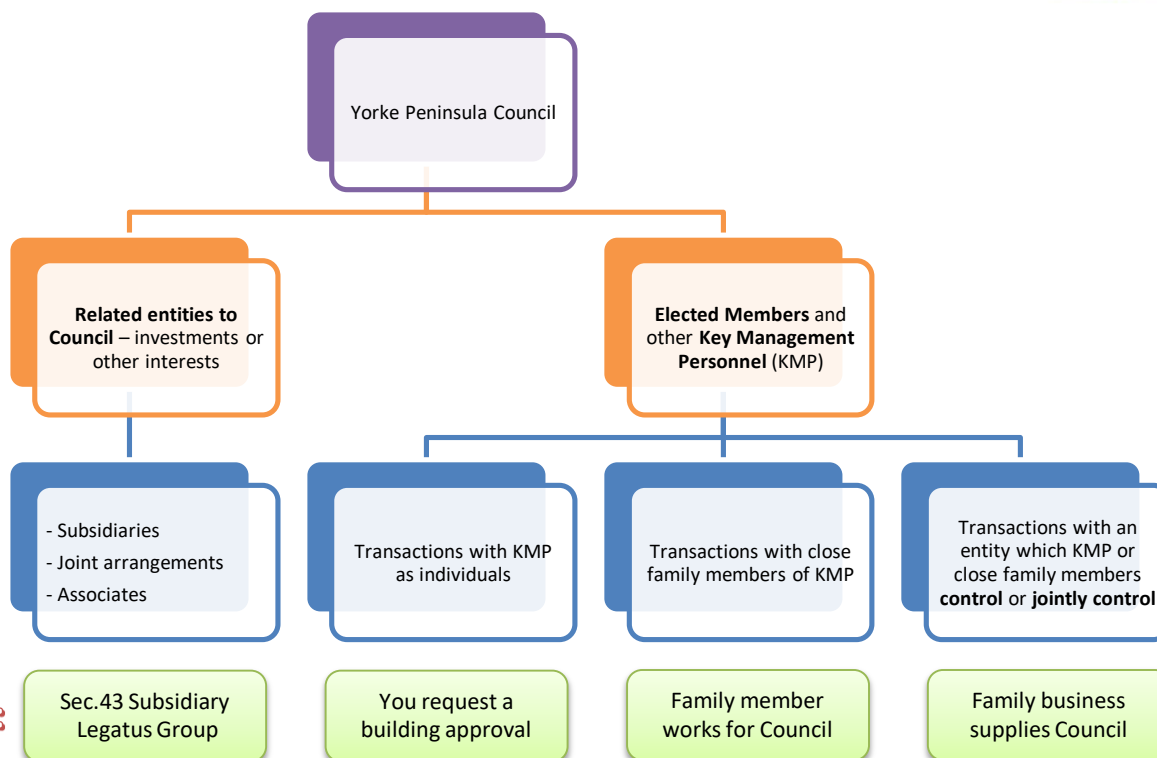
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COUNCIL'S RELATED PARTIES



You have control of an entity if you have:

Power over the entity;

Exposure, or rights, to variable returns from your involvement with an entity; and

The ability to use your power over the entity to affect the amount if your returns

WHO IS A KMP?

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KMPs are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

COUNCIL KMP'S

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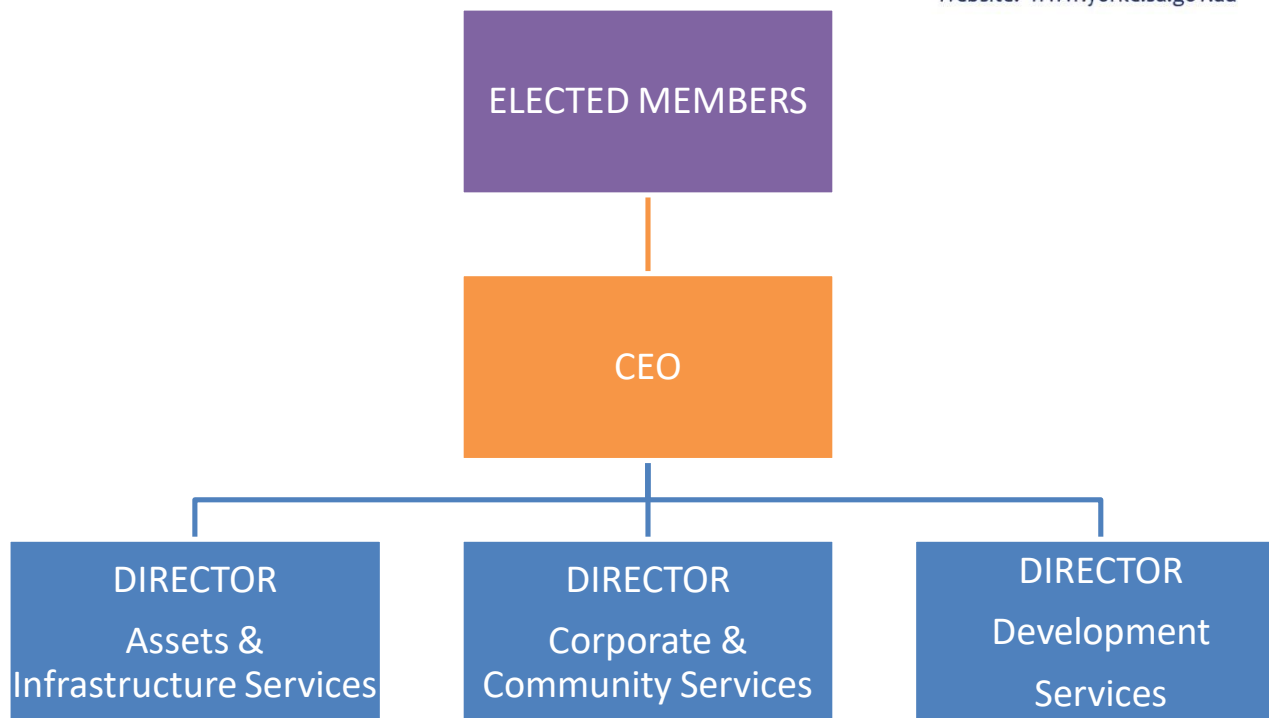
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CLOSE FAMILY MEMBERS

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- Close members of the family of a KMP are those family members who may be **expected** to influence, or be influenced by, that person in their dealings with Council and include:
 - a) that person's children and spouse or domestic partner;
 - b) children of that person's spouse or domestic partner; and
 - c) dependants of that person or that person's spouse or domestic partner.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc.) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

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WHO IS A CLOSE FAMILY MEMBER?

The following table may assist you in identifying your close family members:

DEFINITELY	MAYBE
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by you in their dealing with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by you in their dealing with Council
Your dependants	Your parents and grandparents, if they could be expected to influence, or be influenced by you in their dealing with Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence, or be influenced by you in their dealing with Council
Dependents of your spouse/domestic partner	Any other member of your family if they could be expected to influence, or be influenced by you in their dealing with Council

WHAT IS A RELATED PARTY TRANSACTION?

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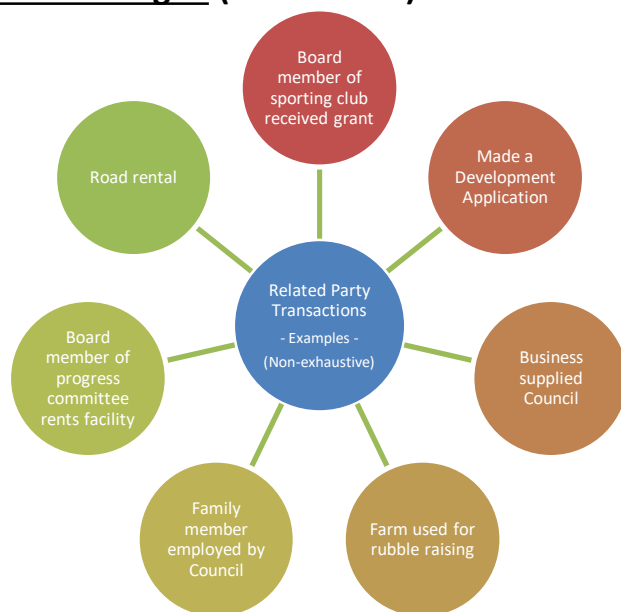
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- A transfer of resources, services or obligations between a reporting entity and a related party, **regardless of whether a price is charged (AASB 124.9).**



MATERIALITY DISCUSSION MODEL FINANCIAL STATEMENTS

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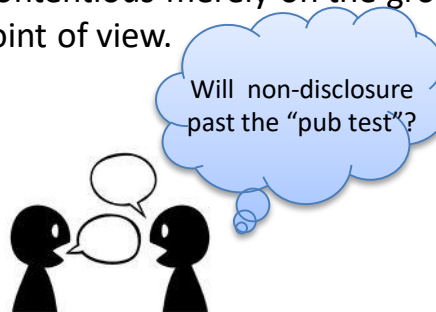
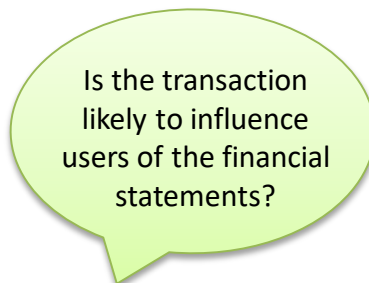
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- The key assessment is whether knowledge of the relationship and terms and conditions could influence a user's understanding of the impact on the financial statements. Where the impact on the financial statements is not material the transaction is not required to be disclosed.
- However in determining the disclosures to be made, it is possible that a Council may find it appropriate to consider political implications.
- It is suggested that few Councils would wish to invite allegations of a “cover-up” of transactions with a KMP where the issue is locally contentious merely on the grounds that the transactions are not material from a pure accounting point of view.



KMP COMPENSATION DISCLOSURE

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- Required disclosure, example per the South Australian Model Financial Statements 2017:
 - *The KMPs of the Council include the Mayor, Councillors, CEO and certain prescribed officers under section 112 of the Local Government Act 1999. In all, 16 persons were paid the following total compensation:*

COMPENSATION	2017
Salaries, allowances & other short term benefits	
Post-Employment Benefits	
Long-Term Benefits	
Termination Benefits	
TOTAL	

KMP RECEIPTS DISCLOSURE

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- As per the South Australian Model Financial Statements 2017:
 - *Other than amounts paid as ratepayers or residents (e.g. rates, swimming pool entry fees, etc.), Council received the following amounts in total:*

AMOUNTS RECEIVED	2017
Contributions for Fringe Benefits Tax purposes	
Planning and Building Application Fees	
Rentals for Council property	
TOTAL	

RELATED PARTY DISCLOSURES

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- **Scenario 1:** The Mayor or an Elected Member owns a business with regular dealings with Council.
- Possible disclosure as per the South Australian Model Financial Statements 2017:

The Mayor owns a retail business from which office supplies were purchased as required on 30 day account. Total purchases amounted to \$x,xxx with \$xxx unpaid at the end of the year.

KMP and relatives of KMPs own retail businesses from which various supplies were purchased as required either for cash or on 30 day account. Purchases from none of these individual businesses exceeded \$x,xxx during the year.

RELATED PARTY DISCLOSURE

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- **Scenario 2:** Close family members of KMPs are employed by Council.
- Possible disclosure as per the South Australian Model Financial Statements 2017:

Three close family members of KMPs are employed by Council in accordance with the terms of the Yorke Peninsula Council Municipal Officers Enterprise Agreement No 4 (2016) and as recorded in the public Register of Salaries maintained in accordance with section 105 of the Local Government Act 1999.

RELATED PARTY DISCLOSURES

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- **Scenario 3:** Close family members of KMPs and/or KMPs lodged planning and or building applications during the year.
- Possible disclosure as per the South Australian Model Financial Statements 2017:

KMPs and/or close family members (including related parties) lodged a total of seven planning and building applications during the year. In accordance with the Local Government Act 1999, these persons declared conflicts of interest and took no part in the assessment or approval processes for these applications.

Nine planning and building approvals, with and without conditions, were granted during the year (including 4 lodged the previous year); 2 remain to be finalised at the end of the year. Total fees for these applications (all of which are payable on lodgement) amounted to \$x,xxx.

EXAMPLE DISCLOSURES

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- **Scenario 4:** Council provides some loans/subsidies/contributions to several community organisations, some of the management committees of which include KMPs or closely related individuals.
- Possible disclosure:

Council has provided a loan/subsidy/contribution to XYZ Progress Association or XYZ Community group of \$XX. The management committee includes a KMP or a related party of a KMP. In accordance with the Local Government Act 1999, this person declares a conflict of interest and takes no part in discussions relating to matters involving the club. The balance outstanding at 30 June 2017 is \$75,000 (2016 \$85,000) and payments are being made in accordance with the agreed schedule. If any amount written off disclose or any provision.

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- **Scenario 5:** KMPs are on the management committees of sporting and other not-for-profit organisations.
- Possible disclosure:

One elected member and an employee are members of the management committees of the Bulla Butterfly Collectors and Gold Coast Sleazeball Club. In accordance with the Local Government Act 1999, these persons declare a conflict of interest and leave the meeting environs when any matter affecting their Club is discussed or voted upon.

All Clubs use facilities maintained by Council for which there is no available arms length market pricing: these facilities are also used by other not-for-profit organisations and the general public. The total amount received from these Clubs for the use of these facilities was \$xx with \$xx due at the end of the year. Council did not make any payments to any of these Clubs but it is not practicable to estimate the cost to Council of facility maintenance relating to each Club.

POLICY DEVELOPMENT

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- Establish a Policy to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with AASB 124 - Related Party Disclosures.
- The Policy should be applied in:
 - a) identifying and recording related parties and related party relationships;
 - b) identifying and recording related party transactions and their terms and conditions;
 - c) assessing materiality / significance of these transactions;
 - d) identifying the circumstances in which disclosure of (a) and (b) is required;
 - e) determining the disclosures to be made about (a) and (b); and
 - f) disclosing relevant information in the financial statements.

DATA COLLECTION

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- An approach to the collection of data that is sensible, efficient and practical and forms part of Council's employment / procurement processes.
- Related Party Disclosure Form:
 - to be completed by the related party;
 - at the time of:
 - employment contract / agreement process
 - procurement tender evaluation process or
 - procurement contract / agreement process; and
 - containing relevant information for disclosure.

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THANK YOU QUESTIONS?