

### 3. RELATED PARTY DISCLOSURES FOR COMMUNITY BOARD MEMBERS

<b>General Manager responsible:</b>	General Manager Corporate Services
<b>Officer responsible:</b>	Corporate Finance Manager
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#### PURPOSE OF REPORT

1. The purpose of this report is to make a recommendation on the treatment of Community Board members with respect to the New Zealand Equivalent to International Reporting Standard ("NZ IFRS") 24: Related Party Disclosures.

#### EXECUTIVE SUMMARY

2. Staff have determined that Community Board members are not related parties to the CCC group of entities.

#### FINANCIAL AND LEGAL CONSIDERATIONS

3. None

#### STAFF RECOMMENDATIONS

It is recommended that the Audit and Risk Subcommittee adopt the following definition for the purposes of NZ IAS 24, Related Party Disclosures:

- (a) For the Council, a Community Board member will not be a 'director'.
- (b) Training be included on dealing with conflicts of interest as part of the overall training on related parties.
- (c) Request that the General Manager Regulation and Democracy Services include in the training programme a session on "conflicts of interest" and related parties for all elected members.

#### BACKGROUND ON RELATED PARTY DISCLOSURES FOR COMMUNITY BOARD MEMBERS

4. At the meeting on 5 December, the Audit and Risk Management Subcommittee adopted the following definitions for the Council for the purposes of NZ IAS 24: Related Party Disclosures:
  - (a) A councillor will be a 'director';
  - (b) All members of the senior management team are included in the definition of 'key management personnel'.
5. Further information was requested on the staff recommendation that "a Community Board member not be considered a 'director'".

#### Analysis

6. The following is an extract of the larger paper presented at the last meeting:

*"ED 91, Related Party Disclosures was an exposure draft issued by NZ Financial reporting Standards Board and was based on IAS 24, Related Party Disclosures. It was intended to apply to all entities including public benefit entities.*

*NZ IAS 24 does not define 'director' presumably because it was developed for commercial organisations only and the definition is covered by companies' legislation.*

*The FRSB has not inserted a definition into NZ IAS 24 so the best authority, in the absence of any other guidance, as to who is a 'director' for the purposes of related party disclosures in NZ is ED 91.*

7. ED 91 defines 'director' as:

*4.3 'Director' includes any person occupying the position of a member (by whatever name called) of **the governing body of the entity reporting.***

8 Under the Council's current structure, Community Board members are not part of the governing body.

#### OPTIONS

9. Include Community Board members in the definition of 'director' for the purposes of NZ IAS 24 by taking a broad interpretation of the definition.

10. Exclude Community Board members from the definition. Any conflict of interest should be handled in accordance with the normal policy.

#### ASSESSMENT OF OPTIONS

##### The Preferred Option

	Benefits (current and future)	Costs (current and future)
<b>Social</b>	None	None
<b>Cultural</b>	None	None
<b>Environmental</b>	None	None
<b>Economic</b>	Reporting only required for directors and key management personnel	Personal privacy, costs of collecting and reporting information
<b>Extent to which community outcomes are achieved:</b> None		
<b>Impact on Council's capacity and responsibilities:</b> None		
<b>Effects on Maori:</b> None		
<b>Consistency with existing Council policies:</b> Complies		
<b>Views and preferences of persons affected or likely to have an interest:</b> Community Board members not required to disclose relationships with CCC group entities other than in the event of a conflict of interest. Any such conflict should be handled in accordance with normal policy.		
<b>Other relevant matters:</b> None		