

RELATED PARTY DISCLOSURES

Policy | Governance

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

Policy No:	POL/40010	Version:	2
Service Unit:	Governance		
Responsible Officer:	Coordinator Governance		
Responsible Director:	Director Corporate & Community Services		
Authorisation Date:	17 December 2018	Review Date:	17 December 2020
Minute No:	212/18		

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1 Background

1.1 Title of the Policy and Commencement Date

The Related Party Disclosures Policy takes effect from 17 December 2018.

1.2 Purpose of the Policy

Under the *Local Government Act, 1993* and *Local Government (General) Regulation, 2005* all local governments in New South Wales must produce annual financial statements that comply with Australian Accounting Standards.

From 1 July 2016, the Australian Accounting Standards Board has determined that AASB 124 related party disclosures will apply to government entities, including local governments. Council is required to disclose Related Party Relationships and Key Management Personnel (KMP) compensation in its Annual Financial Statements.

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

2 Objective

2.1 Objectives and Coverage of the Policy

AASB 124 provides that Council must disclose all material and significant Related Party Transactions in its Annual financial statements by aggregate or general description and include the following detail:

- the nature of the related party relationship; and
- relevant information about the transactions including:
- the amount of the transaction;
- the amount of outstanding balances, including commitments, and
- their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
- details of any guarantee given or received;
- provision for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

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, and to determine the significance of each of the transactions.

Generally, transactions with amounts receivable from and payable to KMP or their related parties which:

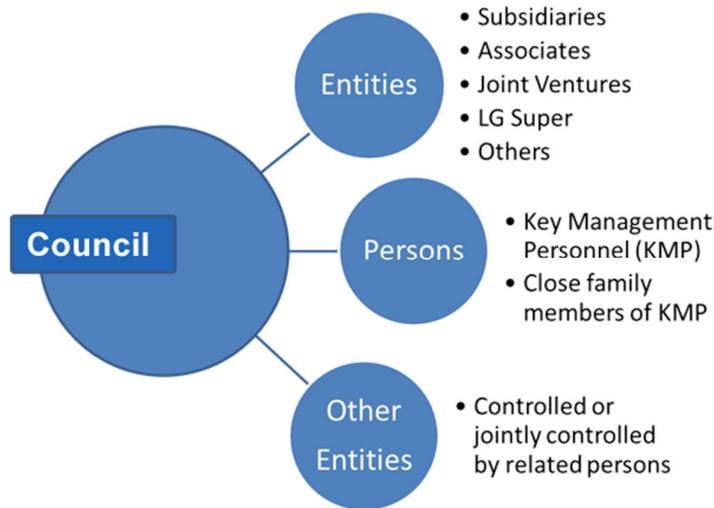
- occur within normal employee, customer or supplier relationships and at arm's length; and
- are not material or significant;



shall be excluded from detailed disclosures, they will be disclosed in the financial statements by general description. Disclosures that Related Party Transactions were made on terms equivalent to an arm's length transaction can only be made if such terms can be substantiated.

AASB requirements in this regard are available at **Appendix A**.

The following diagram gives an overview of common related parties that a council will have:



3 Application

3.1 Application of this Policy

To enable Council to comply with AASB 124 Council's KMP, are required to declare full details of any Related Parties and Related Party Transactions. Such information will be retained and reported, where necessary, in Council's Annual Financial Statements.

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

The preferred method of reporting is for KMP to provide details of Related Parties and Related Party Transactions, utilising the Related Party Declaration by Key Management Personnel (**Appendix B**), to the Coordinator Governance.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register held within the Governance Section.

Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction they should contact the Director Corporate and Community Services Group for clarification.

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.



A review of KMP and their related parties will be completed at intervals not exceeding six months.

This policy will be provided to KMP six monthly upon data collection and also as part of Councillor inductions.

4 Definitions

For the purposes of this policy:

Term	Meaning
AASB 124	Australian Accounting Standards Board, Related Party Disclosures Standard.
Close members of the family of a person	<p>Are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:</p> <ul style="list-style-type: none"> • that person's children and spouse or domestic partner; • children of that person's spouse or domestic partner; and • dependants of that person or that person's spouse or domestic partner.
Entity	Can include companies, trusts, joint ventures, partnerships, incorporated association or unincorporated group or body and non-profit associations such as sporting clubs.
Key Management Personnel (KMP)	<p>AASB 124 defines KMP's as "those persons having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of the entity."</p> <p>For Council purposes KMP include:</p> <ul style="list-style-type: none"> • the Mayor; • Councillors; • the General Manager; • Directors; and • Managers.
KMP Compensation	<p>All forms of consideration paid, payable, or provided in exchange for services provided, and may include:</p> <ul style="list-style-type: none"> • Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees; • Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care; • Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation; and • Termination benefits.



Material (materiality)	The assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.
Ordinary Citizen Transaction (OCT)	A transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council. Examples of OCT's includes: a. Paying Council fees, rates or charges b. Attending Council functions that are open to the public c. Payment for goods or services from Council at rates published in Council's Register of Fees and Charges.
Possible (Possibly) Close members of the family of a person	Are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include: a. that person's brothers' and sisters'; b. aunts', uncles', and cousins' of that person's spouse or domestic partner; c. dependants of those persons' or that person's spouse or domestic partner as stated in (b); and d. that person's or that person's spouse or domestic partners', parents' and grandparents'.
Related Party	For the purposes of this policy, related parties of Council are: <ul style="list-style-type: none"> • entities related to Council; • KMP of Council; • close family members of KMP; • possible close family members of KMP's; and • entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members. Also a person or entity is a related party of Council if any of the following apply: <ul style="list-style-type: none"> • they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); • they are an associate or belong to a joint venture of which Council is part of; • they and Council are joint ventures of the same third party; • they are part of a joint venture of a third party and council is an associate of the third party; • they are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council; • they are controlled or jointly controlled by Close members of the family of a person; • they are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council; or



	<ul style="list-style-type: none"> they or any member of a group of which they are a part, provide KMP services to Council.
Related Party Transaction	Is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.
Significant (significance)	Likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.
Remuneration	Remuneration package and includes any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction.
AASB 124	Australian Accounting Standards Board, Related Party Disclosures Standard.

5 Principles/Body

5.1 Procedural Statement

Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

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 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.

AASB 124 provides that Council must disclose all material and significant Related Party Transactions and outstanding balances; including commitments, in its Annual Financial Statements. Generally, disclosure will only be made where a transaction has occurred between council and a related party of council. In addition, the transaction must be material in nature or size, when considered individually or collectively.

When assessing whether such transactions are significant the following factors will be taken into consideration:

- significance in terms of size;
- was it carried out on non-market terms;
- is it outside normal day-to-day council operations;



- was it subject to council approval;
- did it provide a financial benefit not available to the general public;
- was the transaction likely to influence decisions of users of the Annual Financial Statements.

Regard must also be given for transactions that are collectively, but not individually significant.

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.

6 Relevant Legislation

Local Government Act, 1993

Local Government (General) Regulation, 2005

Australian Accounting Standard AASB 124 - Related Party Disclosures

Privacy and Personal Information Protection Act, 1998

Office of Local Government – Local Government Code of Accounting Practice and Financial Reporting

7 Document Information

Related documents and reference information in this section provides a single reference point to develop and maintain site compliance information.

7.1 Related Documents

Related documents, listed in **Table 7-1** below, are internal documents directly related to or referenced from this document.

Number	Title
POL/1011	Code of Conduct
POL/1008	Councillors Expenses and Facilities Policy
POL/30004	Privacy Management Plan
18/53654	Process Map – Governance – Related Party Disclosures

Table 7-1 – Related documents

8 Responsible Officer / Policy Owner

Ownership of this policy rests with the Director Corporate & Community Services Group.



9 Responsibilities

Parties or Persons	Responsibilities
Councillors	<ul style="list-style-type: none"> • Provision of information as required in this policy; • have an ongoing responsibility to advise Council immediately of any Related Party Transactions.
General Manager	<ul style="list-style-type: none"> • Provision of information as required in this policy; • have an ongoing responsibility to advise Council immediately of any Related Party Transactions.
Directors	<ul style="list-style-type: none"> • Provision of information as required in this policy; • have an ongoing responsibility to advise Council immediately of any Related Party Transactions.
Managers	<ul style="list-style-type: none"> • Provision of information as required in this policy; • have an ongoing responsibility to advise Council immediately of any Related Party Transactions.
Financial Controller	<ul style="list-style-type: none"> • Make the necessary disclosures in council's annual financial statements of any Related Party Transactions.
Coordinator Governance	<ul style="list-style-type: none"> • To coordinate information gathering of related party relationships and maintain the Related Party Register.

10 Approval

As per cover sheet.

11 Monitoring

This policy will be monitored by the Coordinator Governance to ensure compliance.

12 Review Date

This policy, once adopted, is to remain in force until it is reviewed by Council. This policy is to be reviewed approximately every two (2) years to ensure that it meets legislative requirements.

This policy will also be reviewed when any of the following occur:

- a change of Councillors, General Manager or other KMP;
- corporate restructure;
- the related legislation/documents are amended or replaced;
- other circumstances as determined from time to time by a resolution of Council; and
- as a result of changes to the OLG Local Government Code of Accounting Practice and Financial Reporting.

13 Last Review Date

This policy was last reviewed on 19 December 2016.



14 Record Keeping, Confidentiality and Privacy

This policy is to be made available for public viewing as required under the *Government Information (Public Access) 2009, NSW*.

15 Breaches and Sanctions

Any breaches of this Policy will be referred to the General Manager for appropriate action.



Appendix A - Reporting Requirements

Reference	Requirement
AASB124.17	<p>The entity discloses key management personnel compensation in total and for each of the following categories:</p> <ul style="list-style-type: none"> (a) short-term employee benefits; (b) post-employment benefits; (c) other long-term benefits; and (d) termination benefits; <p>Key management personnel (KMP) are not named – disclosure on an aggregate basis only.</p> <p>Short-term employee benefits include non-monetary benefits.</p>
AASB124.18	<p>If there have been transactions between related parties, the entity discloses the nature of the relationship with the related party, as well as sufficient information about the transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.</p> <p>Types of Transactions:</p> <ul style="list-style-type: none"> (a) purchases or sales of goods (finished or unfinished); (b) purchases or sales of property and other assets; (c) rendering or receiving of services; (d) leases; (e) transfers of research and development; (f) transfers under licence agreements; (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind); (h) provision of guarantees or collateral; (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised); and (j) settlement of liabilities on behalf of the related party. <p>The following information, at a minimum, is disclosed:</p> <ul style="list-style-type: none"> (a) the amount of the transactions; (b) the amount of outstanding balances, including commitments, and terms and conditions (i.e. secured or unsecured) and the nature of consideration to be provided in settlement; and details of guarantees given or received; (c) provisions for doubtful debts related to the amount of outstanding balances; and <p>the expense recognised during the period relating to bad or doubtful debts due from related parties.</p>



AASB124.19	The entity separately discloses all the information required by Paragraph 18 at the following levels: (a) subsidiaries; (b) associates; (c) joint ventures in which the entity is a joint venturer; (d) key management personnel of the entity or its parent; and (e) other related parties.
AASB124.24	The entity discloses items of a similar nature in aggregate, except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the entity.



Appendix B - Declaration by Key Management Personnel

Private and Confidential

Name of Key Management Person: _____

Position of Key Management Person: _____

(List details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by the close family members of KMP)

Name of Person or Entity	Relationship

I _____ (full name), _____ (position) declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members. I make this declaration after reading the fact sheet supplied by Council which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”.

Declared at _____ (place) on the _____ (date)

Signature of KMP: _____

Name of KMP: _____

Date: _____

