

Related Party Disclosure Policy

1 Document Information

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Author	Administration Manager
Owner <i>(Relevant director)</i>	Director of Finance & Corporate Services
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Minute number <i>(once adopted by Council)</i>	18/05/20

2 Summary

From July 2016, the Australian Accounting Board Standard – Related Parties Disclosures (AASB 124) applies to councils in New South Wales.

Council is required to disclose Related Party Transactions, Relationships, and Key Management Personnel compensation in the annual Financial Statements to comply with AASB 124.

3 Approvals

Title	Date Approved	Signature
Director of Finance & Corporate Services		

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4 History

Minute No.	Summary of Changes	New Version Date
17/03/18	First adopted	28 March 2017
17/06/16	Updated with an amendment to the due date of the disclosures.	27 June 2017
18/05/20	Readopted as per s165(4)	22 May 2018

Reason

To ensure council's financial statements comply with the disclosure requirements under AASB 124 Related Party Disclosures and to ensure transparency in dealings with related parties and their effect on council's financial reports.

5 Scope

This policy shall be applied in:

- a) Identifying related parties and relevant transactions,
- b) Identifying outstanding balances, including commitments, between council and its related parties,
- c) Identifying the circumstances in which disclosure of the items in a) and b) is required, and
- d) Determining the disclosures to be made about those items.

6 Associated Legislation

Local Government Act 1993

Local Government (General) Regulation 2005

AASB 124 Related Party Disclosures

Australian Accounting Standards

Government Information (Public Access Act) 2009

Privacy and Personal Information Protection Act 1998

7 Definitions

AASB 124 - means the Australian Accounting Standards Board, Related Party Disclosures Standard.

Act - means the Local Government Act 1993.

Close members of the family of a person are:

- those family members who may be expected to influence, or be influenced by, that person in their dealings with the council and include:
 - 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 associations or unincorporated groups or bodies and non-profit associations such as sporting clubs.

Key Management Personnel (KMP) - those persons having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of the entity holding the positions identified in section 11.1 of this policy.

KMP Compensation - means all forms of consideration paid, payable, or provided in exchange for services provided, and may include:

- *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) - means 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 - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with council.

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.

Regulation - means the **Local Government (General) Regulation 2005**.

Related Party – is defined in section 11.2 of this policy.

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.

Remuneration means: 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.

Responsible Accounting Officer of a council means:

- (a) a member of the staff of the council designated by the general manager, or
- (b) if no such member has been designated, the general manager.

Significant (significance) - means 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.

8 Responsibilities

8.1 General Manager

The General Manager is responsible for the overall control and implementation of the policy.

8.2 Responsible Accounting Officer

The Responsible Accounting Officer is responsible to ensure Related Party Transactions and Relationships and Key Management Personnel compensation are included in the annual Financial Statements to comply with AASB 124.

8.3 Finance Manager

The Finance Manager is responsible for updating and maintenance of the Related Parties Disclosures Register.

8.4 Administration Manager

The Administration Manager is responsible for distribution, collection and registration into council's records system of Key Management Personnel related party disclosures consistent with this policy.

8.5 Key Management Personnel (KMP)

Key Management personnel, as identified within the policy, are required to disclose all required information on the Related Parties Disclosure Form.

Additionally, specific responsibilities are identified within the policy document and supporting operational procedures.

9 Related Documents

Document Name
Local Government Act 1993
Code of Conduct
Related Party disclosure operational procedures
Related Party Disclosure form (attached)
Australian Accounting Board Standard – Related Parties Disclosures AASB 124

10 Policy Statement

AASB 124 framework and requirements

The Policy establishes that Related Parties and Key Management Personnel (KMP) will be identified such that transactions between Council and Related Parties can be identified and where assessed as being required to be disclosed, be reported in the annual Financial Statements in accordance with AASB 124.

AASB 124 requires that Council must disclose the following financial information in its annual Financial Statements:

- disclosure of any Related Party relationships outlining the relationship with any Related Parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period
- KMP Compensation Disclosures

The disclosure of Related Parties information requirements under AASB 124 are additional to those in place under Section 449 of the Local Government Act 1993 regarding the annual returns disclosing interests of Councillors and designated persons. Additionally, the requirements under this policy do not supplant the responsibilities to declare conflicts of interest as identified in the Council's Code of Conduct.

In the preparation of the annual Financial Statements, an assessment of the materiality and significance of the Related Party Transactions will be made to determine the level of disclosure.

AASB 124 identifies that the purpose of disclosing Related Parties is to assess where transactions or relationships could impact on the profit and loss of an entity. This may be because a Related Party may enter into transactions in a manner that other parties may not due to the relationship with the Council or KMP. Alternatively, there may be a personal relationship between a KMP and their relatives or other persons that could influence the transactions of the Council with another party.

KMP are responsible for planning, directing and controlling the Council.

KMP are required to identify Related Parties and Related Transactions that they expect will or do occur between those Related Parties and Council. Council will itself have Related Parties and Related Transactions, which similarly need to be identified.

The Policy identifies the requirement to capture disclosures of Related Parties and Transactions between those Parties and Council and the need to collate the disclosures in a Register. The Register will be used to prepare the required components for inclusion in the annual Financial Statements.

Related Parties Identification and Disclosure timetable

The due date for Disclosure will be 31 July annually.

KMP should provide updates on Related Parties and Transactions as issues arise by submitting an updated Related Parties Disclosure Form.

Access and security of information collected for the Related Parties Disclosure Register

Information collected on the Related Parties Disclosure Form (attached) will be securely stored in Council's records system for inclusion into the Related Parties Disclosure Register.

Access to the Related Parties Disclosure Register and disclosure forms will be available only to those who may lawfully be granted access after consideration of matters of privacy and other right to information public access legislative requirements.

Use of the Related Parties Disclosure Register

The Related Parties Disclosures Register will be used as the basis for the information included in the annual Financial Statements to satisfy the Related Party reporting requirements.

11.1 KEY MANAGEMENT PERSONNEL (KMP)

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

Council has identified the following as KMP:

- Mayor and Councillors
- Administrators
- General Manager
- Directors
- Anyone acting in one of the above positions

Compensation Disclosure requirements

KMP Compensation Disclosures require that information on all forms of paid, payable, or provided in exchange for services provided must be disclosed.

This information may include:

- *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)

- 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
 - 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
- *Termination benefits.*

Close members of the family of KMP

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment with details to be submitted on the Related Parties Disclosure form.

KMP have an ongoing responsibility to advise Council immediately of any changes to Related Parties and associated Transactions.

Close family members of the KMP are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council, and include:

- that person's children
- that person's spouse/domestic partner
- children of that person's spouse/domestic partner
- dependants of that person or that person's spouse/domestic partner.

In addition to those family members identified above as close family members, a KMP may have other members of their extended family who they should identify as close family members if these family members could be expected to influence, or be influenced by, that person in their dealings with Council. This could include:

- that person's brothers and sisters
- that person's spouse/domestic partner's brothers and sisters
- aunts, uncles, and cousins of that person's or that person's spouse/domestic partner
- dependants of those person's or that person's spouse/domestic partner
- that person's or that person's spouse/domestic partners', parents and grandparents.

It is the responsibility of KMP to assess and report all related parties that they know do, or expect are likely to, have transactions with Council.

11.2 RELATED PARTIES AND RELATED PARTY RELATIONSHIPS

Related Party

A Related Party is:

- a) a person who is a close family member of a KMP where that person has control or joint control of the reporting entity or has significant influence over, or could be influenced by any nominated person in the KMP list.
- b) an entity related to the Council if the entity: is the member of the same group of companies (e.g. parent company or one of its subsidiaries or an entity carrying out a function of council under s355 of the Local Government Act), is part of arrangements such as joint ventures or is an associate of the reporting entity, is a post-employment benefit plan, is an entity controlled, jointly controlled or is significantly influenced by a person identified in (a), is an entity that a person identified in (a) is a KMP of, as a related party.

Entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. Entities may also include companies, trusts, partnerships, incorporated association or unincorporated groups or bodies and non-profit associations such as sporting clubs. 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 KMP and the Council needs to consider what associated entities exist when compiling their Related Parties Disclosures form.

Related Party Relationships

Related Party relationships are a normal feature of commerce and business.

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.

Related Party Transactions

Related Party Transactions are the transfer of resources, services or obligations between Council and a related party. They are considered to be transactions whether or not a price is charged.

Such transactions may include:

- purchase or sale of goods (finished or unfinished)
- purchase or sale of property and other assets
- rendering or receiving services

- leases
- transfers of research and development
- transfers under licence agreements
- transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- provision of guarantees or collateral
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- quotations and/or tenders
- commitments
- settlements of liabilities on behalf of Council or by Council on behalf of the related party.

Regard must also be given if transactions that are collectively or individually significant.

11.3 ISSUES THAT WILL BE ASSESSED IN CONSIDERING RELATED PARTY TRANSACTIONS

The Disclosure process will consider all transactions between Council and persons and entities the Council or KMPs have named as related parties.

Collations of the disclosures may be made in some circumstances. 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, reporting will be made where a transaction has occurred between Council and a related party of Council where the transaction is material and/or significant in nature or size when considered individually or collectively.

For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality. In preparing the information for the annual Financial Statements, the Council will consider the information in the Related Parties Disclosures Register on the basis of materiality and significance.

Ordinary citizen transactions

Ordinary citizen transactions do not need to be disclosed on the basis of services being available to all citizens at the same fee or level of service. Examples include:

- paying rates and charges
- paying normal entry fee for use of the Council's swimming pool
- attending the theatre when tickets have been bought at prices other patrons would pay
- fines on normal terms and conditions

11.4 DISCLOSURES

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.

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, but 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.

[Review of this policy](#)

This policy will be reviewed annually but may also be reviewed if any of the following occur:

- corporate restructure that impacts on the KMPs,
- legislative change,
- accounting standard or Local Government Code of Accounting Practice change that impacts on the application of the Policy, or
- other circumstances as determined from time to time by a resolution of Council.



Related Party Disclosure by Key Management Personnel

Financial Year: _____

Please read the Privacy Collection & Guidance Notice provided with this notification, which explains what is a related party transaction and the purposes for which Council is collecting and will use and disclose, the related party information provided by you in this notification.

Please complete the table below and overleaf if more space is required, **for each related party transaction with Council** that you or a close member of your family, or an entity related to you or a close member of your family:

- (a) _____ has previously entered into **and** which will continue in the above mentioned financial year; or
- (b) _____ has entered into, or is reasonably likely to enter into, in the above-mentioned financial year.

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual's or entity's name)	Related Party's Relationship/ Reasons why related	Description of Transaction Documents or Changes to the Related Party Relationship

Notification

I _____, _____ as a Key Management Personnel notify that, to the best of my
(Full name) (Position)

knowledge, information and belief, as at the date of this notification, the above list and overleaf, includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the above mentioned financial year.

I make this notification after reading the Privacy Collection & Guidance Notice provided by Cabonne Council, which details the meaning of the words "related party", "related party transaction", "close members of the family of a person" and, in relation to an entity, "control" or "joint control", and the purposes for which this information will be used and disclosed.

I permit the Responsible Accounting Officer and the other permitted recipients specified in Council's Related Party Disclosure Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy. I note access by anyone else will be subject to Government Information (Public Access) and Privacy legislation.

Signature: _____

Date: _____

