

RELATED PARTY DISCLOSURES POLICY

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POLICY STATEMENT

The Related Party Disclosure Policy aims to assist Council in complying with disclosure requirements concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them stipulated under the *Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities (AASB 124)*.

SCOPE

This policy is to be applied in:

- (1) identifying related party relationships; related party transactions, and ordinary citizen transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them; and
- (2) identifying information about the related party transactions for disclosure;
- (3) establishing systems to capture and record the related party transactions and information about those transactions;
- (4) identifying the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required;
- (5) determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB 124.

POLICY OBJECTIVES

The objective of the policy is to ensure that the existence of certain related party relationships and related party transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them, and information about the transactions, necessary for users to understand the potential effects on the financial statements are properly identified, recorded in Council's systems, and disclosed in Council's general purpose financial statements in compliance with the AASB 124, the *Information Privacy Act 2009* and the *Right to Information Act 2009*.

BACKGROUND AND/OR PRINCIPLES

Local Government Regulation 2012, section 177, requires Council to prepare its general purpose financial statements in compliance with, relevantly, Australian Accounting Standards and, relevantly for the purpose of this policy, the AASB 124.

AASB 124 DISCLOSURE REQUIREMENTS

- (1) (**Disclosures**) Relevant to this policy, to comply with the AASB 124, for annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified in section 1(2) for related party transactions with, amongst others¹, the following persons during the periods covered by the financial statement:²
 - (a) Council's key management personnel;

¹ For example, the AASB 124 also requires disclosure of related party transactions with Council subsidiaries, entities who are associates of Council or of a Council subsidiary, and joint ventures in which Council or a Council subsidiary is a joint venturer.

² See the AASB 124, paragraphs 18 to 24.



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- (b) other related parties, comprising:
 - (i) a close family member of a key management person of Council;
 - (ii) entities controlled or jointly controlled by a key management person of Council;
 - (iii) entities controlled or jointly controlled by a close family member of a key management person of Council,
- (2) (**Disclosed Information**) For each category of related party transactions specified in section 1(1), Council will disclose the following information in Councils' general purpose financial statements:
 - (a) the nature of the related party relationship;
 - (b) the amount of the transactions;
 - (c) the amount of outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) details of any guarantees given or received;
 - (d) provisions for doubtful debts related to the amount of outstanding balances; and
 - (e) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- (3) (**In Aggregate or Separate**) For each related party category specified in section 1(1), Council will disclose information specified in section 1(2) for related party transactions 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 Council, having regard to the following criteria:
 - (a) the nature of the related party relationship;
 - (b) the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
 - (c) whether the transaction is carried out on non-arm's length terms;
 - (d) whether the nature of the transaction is outside normal day-to-day business operations, based on the factors and thresholds determined by the Finance Manager, Director Corporate and Community Services in consultation with the General Manager.

IDENTIFYING RELATED PARTY TRANSACTIONS WITH KMPs AND THEIR CLOSE FAMILY MEMBERS

- 1) (**RPT Notifications**) Key management personnel (**KMP**) must provide a Related Party Transactions Notification (**RPT Notification**), in the form set out in Attachment A, notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, subject to section 6), to the General Manager by no later than the following periods during a financial year (**specified notification period**):
 - a) 30 days after the commencement of the application of this policy;
 - b) 30 days after a KMP commences their term or employment with Council;
 - c) 30 November;
 - d) 30 June



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- 2) (**RPT Notification Form**) At least 30 days before a specified notification period, the Director of Corporate and Community Services will provide KMPs with a RPT Notification form and a Privacy Collection Notice as set out in Attachment B.
- 3) (**Additional RPT Notifications**) Also, during a financial year, if a KMP knows of:
 - a) any new or potential related party transaction that is required or likely to be required to be disclosed in Council's financial statements; or
 - b) any change to a previously notified related party transaction (including a change to a related party relationship), the KMP must provide additional RPT Notifications notifying of the new or potential related party transactions or changes, by no later than 30 days after the KMP knows of the transaction or change.
- 4) (**Suspected Related Party Transaction**) If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide a RPT Notification to the General Manager for consideration and determination.
- 5) (**Other Notifications**) The notification requirements in this section 0 are in addition to the notifications a KMP must make to comply with:
 - a) for councillors, sections 172 and 173 of the *Local Government Act* in relation to material personal interests and conflicts of interest; and
 - b) for the General Manager and other senior executive officers who are KMPs, the Employee Code of Conduct; and
 - c) the recording of interests in a register of interests kept under the *Local Government Regulation 2012*.
- 6) (**Exclusions**) The notification requirements in this section 0 do not apply to:
 - a) related party transactions that are ordinary citizen transactions not assessed as being material as determined under section 8); and
 - b) for councillors, expenses incurred and facilities provided to a councillor during the financial year, under Council's Councillors Expenses Reimbursement Policy, the particulars of which are contained in Council's annual report pursuant to the *Local Government Regulation*, section 186.
- 7) (**Digital Extraction**) The Finance Manager will digitally identify and extract information specified in section 1(2) against each notified related party transaction in Council's computerised business systems for the purpose of recording the related party transactions and associated information in the register of related party transactions.
- 8) (**Other Sources of Information**) To ensure all related party transactions are captured and recorded, the Finance Manager may review other sources of information held by Council including, without limitation:
 - a) a register of interests of a KMP and of persons related to the KMP;
 - b) minutes of Council and committee meetings.
- 9) (**Manual Investigation and Recording of Information**) For notified related party transactions that are not captured by Council's computerised business systems, the Finance Manager will manually review the transactional documentation and record the



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information specified in section 1(2) for the subject transaction in the register of related party transactions.

ORDINARY CITIZEN TRANSACTIONS

- (1) (**Non-material in Nature**) A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.
- (2) (**Material in Nature**) A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements in accordance with section 0, related party transactions that are ordinary citizen transactions assessed to be material in nature.
- (3) (**Materiality Assessment**) The Director of Corporate and Community Services will review and assess the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the financial statements, having regard to the criteria specified in section 1(3).
- (4) (**Digital Extraction**) The Finance Manager will digitally identify and extract information specified in section 1(2) against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's computerised business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

REGISTER OF RELATED PARTY TRANSACTIONS

- (1) (**Maintain a Register**) The Finance Manager must maintain and keep up to date a register of related party transactions that captures and records the information specified in section 1(2) for each existing or potential related party transaction³ (including ordinary citizen transaction assessed as being material in nature) during a financial year.
- (2) (**Contents of Register**) The contents of the register of related party transactions must detail for each related party transaction:
 - (a) the description of the related party transaction;
 - (b) the name of the related party;
 - (c) the nature of the related party's relationship with Council;
 - (d) whether the notified related party transaction is existing or potential;
 - (e) a description of the transactional documents the subject of the related party transaction;
 - (f) the information specified in section 1(2).
- (3) The Finance Manager is responsible for ensuring that the information specified in section 1(2) is disclosed in Council's financial statements to the extent, and in the manner, stipulated by the AASB 124, subject to section 1(3).

³ See footnote 6



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INFORMATION PRIVACY

- (1) (**Confidential**) The following information is classified as confidential, and is not available for inspection by or disclosure to the public, including through a *Right to Information (RTI)* application:
 - (a) information (including personal information) provided by a key management person in a RPT Notification; and
 - (b) personal information contained in a register of related party transactions.

- (4) (**When Consent Required**) Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a RPT Notification by a KMP or contained in a register of related party transactions, for any other purpose or to any other person except with the prior written consent of the subject KMP.

- (5) (**Permitted Recipients**) The following persons are permitted to access, use and disclose the information (including personal information) provided in a RPT Notification or contained in a register of related party transactions for the purposes specified in section 1(6):
 - (a) a councillor;
 - (b) the General Manager;
 - (c) the Director Corporate and Community Services and Director Technical Services
 - (d) financial officers within Council's unit of administration responsible for the preparation of financial reporting authorised by Director Corporate and Community Services;
 - (e) Any Member of Staff that has a delegation from the General Manager to purchase goods and services of \$10,000 or more;
 - (f) an auditor of Council.

- (6) (**Permitted Purposes**) A person specified in section 1(5) may access, use and disclose information (including personal information) in a RPT Notification or contained in a register of related party transactions for the following purposes:
 - (a) to assess and verify a notified related party transaction;
 - (b) to reconcile identified related party transactions against those notified in a RPT Notification or contained in a register of related party transactions;
 - (c) to comply with the disclosure requirements of the AASB 124;
 - (d) to verify compliance with the disclosure requirements of the AASB 124.

- (7) An individual may access their personal information provided by a KMP in a RPT Notification or contained in a register of related party transactions in accordance with Council's Information Privacy Policy.

RIGHT TO INFORMATION STATUS

- 1) (**No Public Inspection**) The following documents are not open to or available for inspection by the public:
 - a) RPT Notifications provided by a KMP; and
 - b) a register of related party transactions.



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- 2) (**Not RTI-accessible**) A RTI application seeking access to or release of:
 - a) a document or information (including personal information) provided by a KMP in a RPT Notification; or
 - b) personal information contained in a register of related party transactions;
 - c) will be refused on the grounds the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest under sections 48 and 49 of the *Right to Information Act*, item 8 of schedule 3 and items 2, 3 and 16 of part 3, schedule 4.

- 3) (**Transactional Documentation**) A RTI application seeking access to and release of transactional information and documentation the subject of a related party transaction with Council will be considered, assessed and decided in accordance with Council's usual procedures regarding applications made under the *Right to Information Act*.



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DEFINITIONS

Each of the following expressions in bold to the left bears the meaning shown opposite:

arm's length terms

Terms between parties that are reasonable in the circumstances of the transaction that would result from:

- (a) neither party bearing the other any special duty or obligation; and
- (b) the parties being unrelated and uninfluenced by the other; and
- (c) each party having acted in its own interest.

associate

In relation to an entity (***the first entity***), an entity over which the first entity has significant influence.

close family members or close members of the family⁴

In relation to a key management person, family members who may be expected to influence, or be influenced by, that key management 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.

For the purpose of the AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) *if* they could be expected to influence, or be influenced by, the key management person in their dealings with Council.

control

Control of an entity is present when there is:

- (a) power over the entity; and
- (b) exposure or rights to variable returns from involvement with the entity; and
- (c) the ability to use power over the entity to affect the amount of returns received,

as determined in accordance with AASB 10 *Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance)*.

joint control

The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

⁴ The definition of "close members of the family of a person" as contained in the AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a register of interests under the *Local Government Regulation*.



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joint venture

An arrangement of which 2 or more parties have joint control and have right to the net assets of the arrangement.

joint venturer

A party to a joint venture that has joint control of that joint venture.

key management personnel or key management person or KMP

Person(s) having authority and responsibility for planning, directing and controlling the activities of Council.

Specifically, key management personnel of Council are:

- (a) the mayor;
- (b) councillors;
- (c) the General Manager;
- (d) the directors of each department;
- (e) Council employees with a delegated authority to purchase goods and services of \$10,000 or more.

Ordinary citizen transactions

Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.

Examples of ordinary citizen transactions assessed to be not material in nature are:

- (a) paying rates and utility charges;
- (b) using Council's public facilities after paying the corresponding fees.

related party

A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.

Examples of related parties of Council are:

- (a) Council subsidiaries;
 - (b) key management personnel;
 - (c) close family members of key management personnel;
 - (d) entities that are controlled or jointly controlled by key management personnel or their close family members.
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related party transaction

A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.

Examples of related party transactions are:

- (a) purchases or sales of goods;
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) rendering or receiving of goods;
- (e) leases;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (example, loans);

Note: Financial arrangements are subject to the Statutory Bodies Financial Arrangements Act 1982

- (h) provision of guarantees (given or received);
Note: Guarantees are financial arrangements that are subject to the Statutory Bodies Financial Arrangements Act 1982.
- (i) commitments to do something if a particular event occurs or does not occur in the future;
- (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.

related party transactions notification or RPT Notification

A document entitled *Related Party Transactions Notification provided by Key Management Personnel* in the form set out in Attachment A.

significant influence

The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard AASB 128 *Investments in Associates and Joint Ventures, paragraphs 3, 5 and 6.*

Attachment A - Related Party Transactions Notification

[Note: This document is confidential and is not RTI-accessible. See Council’s Related Party Disclosure Policy]

Name of Key Management Person:

Position of Key Management Person:

Please read the Privacy Collection 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 **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 2016/2017 financial year; or*
- (b) has entered into, or is reasonably likely to enter into, in the 2016/2017 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

Attachment B - Privacy Collection Notice

RELATED PARTY TRANSACTIONS DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its general purpose financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures*.

Related parties include Council's key management personnel, their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, the AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

Information about Council's disclosure requirements under the AASB 124, please refer to Council's Related Party Disclosure Policy, which can be found at www.breshire.com.au

Notifications by Key Management Personnel

In order to comply with the AASB 124, Council has adopted a policy that requires all members of its key management personnel (**KMPs**) to periodically provide notifications to the General Manager (GM) of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year.

To this end, each key management person (**a KMP**) must provide a Related Party Transactions Notification, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the General Manager by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this policy;
- 30 days after a KMP commences their term or employment with Council;
- 30 November; and
- 30 June.

Also, during a financial year, a KMP must proactively notify of any new or potential related party transactions that the person knows of, or any changes to previously notified related party relationships or transactions, relevant to the subject financial year by providing to the General Manager, additional Related Party Transactions Notifications by no later than 30 days after the person knows of the transaction or change.

Note, these related party transaction notification requirements are in addition to the notifications KMPs are required to make to comply with:

- for councillors and KMP's, the material personal interests and conflicts of interest obligations in the NSW *Local Government Act 1993* and *Model Code of conduct for Local Councils in NSW – March 2013* (<https://www.olg.nsw.gov.au/strengthening-local-government/conduct-and-governance/model-code-of-conduct>) and
- and The *Local Government Act 1993* (the Act) provides for the management of pecuniary interests under Councils Pecuniary Interest Policy.

The NSW Office of Local Government may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.

Who are KMPs?

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

For Council, KMPs include:

- the Mayor
- Councillors
- the General Manager
- Department Directors
- Council employees with a delegated authority to purchase goods and services of \$10,000 or more

Who are close family members of a KMP Person?

Close family members, or close members of the family, of a KMP are 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.

The definition of close members of the family of a person for the purpose of the AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a register of interests under the *Local Government Regulation*. For the 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.

For a related party transaction, unlike a register of interests, the related party and relationship must be disclosed for both the KMP and their close family member even if the same related party entity is held jointly or in common by them.

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

Definitely a close family member	Maybe a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your dependants	Your parents and grandparents, if they could be expected to influence, or be influenced by, you in their dealings 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 dealings with Council
Dependants 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 dealings with Council

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

- (a) power over the entity;
- (b) exposure, or rights, to variable returns from your involvement with the entity; and
- (c) the ability to use your power over the entity to affect the amount of your returns.

Example of control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights.

Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company.

Fred will need to include the company on his related party transaction notification.

Joint control

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.⁵

Example of joint control

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the

⁵ AASB 128 Investments in Associates and Joint Ventures, paragraph 3 (Definitions).

company and have equal voting rights on the board.

Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Fred will need to include the company on his related party transaction notification and the entity's related party relationship with Fred and Stan.

In some cases it will be obvious that you or a family member control or have joint control over an entity. In other cases it will be less clear.

If you are unsure whether you, or a close family member has control or joint control of an entity then you should contact the General Manager for a confidential discussion.