

1 Policy History

| Revision No. | Council Meeting Date | Minute No. | Adoption Date |
|--------------|----------------------|------------|--|
| 1 | 13/06/2017 | 17/144 | 13/06/2017 Effective from 1/07/2017 |
| 2 | 13/02/2018 | 18/046 | 16/03/2018 |

2 Policy Objective

The objective of the policy is to ensure that the existence of certain related party relationships and related party transactions concerning key management personnel, (as defined on page 10 of this policy), 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 *Privacy and Personal Information Protection Act 1998* and the *Personal Information Protection Regulation 2014*.

3 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)*.

4 Policy Scope

This policy is to be applied in:

- 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;
- identifying information about the related party transactions for disclosure;
- establishing systems to capture and record the related party transactions and information about those transactions;
- identifying the circumstances in which disclosure of the items in dot points 1 and 2 above are required; and
- determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB124.

4.1 AASB 124 Disclosure Requirements

4.1.1 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 4.1.2 for related party transactions with, amongst others, the following persons during the periods covered by the financial statements:

- a) Council's Key Management Personnel;
- 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.

4.1.2 Disclosed Information

For each category of related party transactions specified in 4.1, Council will disclose the following information in Council's 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.

4.1.3 Disclosed In Aggregate or Separate

For each related party category specified in 4.1, Council will disclose information specified in 4.1.2 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 Director – Business, Cultural & Financial Services in consultation with the General Manager and Council's internal audit committee.

4.2 Identifying Related Party Transactions with Key Management Personnel and their Close Family Members

4.2.1 Related Party Transactions 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 4.2.6, 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.

4.2.2 RPT Notification Form

At least 30 days before a specified notification period, the Finance Department will provide KMPs with a RPT Notification form and a Privacy Collection Notice as set out in Attachment B.

4.2.3 Additional RPT Notifications

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.

4.2.4 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.

4.2.5 Other Notifications

The notification requirements in this 4.2 are in addition to the notifications a KMP must make to comply with:

- a) Section 449 of the *Local Government Act 1993* in relation to the disclosure of interests; and
- b) for the General Manager and other senior executive officers who are KMPs, the Employee Code of Conduct; and

4.2.6 Exclusions

The notification requirements in this 4.2 do not apply to:

- a) related party transactions that are ordinary citizen transactions; and
- b) for Councillors, expenses incurred and facilities provided to a Councillor during the financial year, under Council's Payment of Fees & Expenses.

4.2.7 Digital Extraction

The Finance Department will digitally identify and extract information specified in 4.1.2 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.

4.2.8 Other Sources of Information

To ensure all related party transactions are captured and recorded, the Finance Department may review other sources of information held by Council including, without limitation:

- a) a Disclosure of Interests Return (under s449 of the Local Government **Act** 1993) of a KMP and of persons related to the KMP;
- b) minutes of Council and committee meetings.

4.2.9 Manual Investigation and Recording of Information

For notified related party transactions that are not captured by Council's computerised business systems, the Finance Department will manually review the transactional documentation and record the information specified in 4.1.2 for the subject transaction in the register of related party transactions.

4.3 Ordinary Citizen Transactions

- 4.3.1** 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, so long as the terms and conditions are no different to those available to the general public. If an Ordinary Citizen Transaction occurs on terms and conditions that are different to those offered to the general public, the transaction will be captured and if required reported in the financial statements.

4.4 Register of Related Party Transactions

4.4.1 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 4.1.2 for each existing or potential related party transaction during a financial year.

4.4.2 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; and

4.4.3 The Finance Manager is responsible for ensuring that the information specified in 4.1.2 is disclosed in Council's financial statements to the extent, and in the manner, stipulated by AASB124, subject to 4.1.3.

4.5 Information Privacy

4.5.1 Confidential

The following information is classified as confidential, and is not available for inspection by or disclosure to the public, including through a *Government Information (Public Access) Act (GIPA)* 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.

4.5.2 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.

4.5.3 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 4.5.4:

- a) a Councillor;
- b) the General Manager;
- c) the Director – Business, Cultural & Financial Services being responsible for the preparation of financial reports;
- d) financial officers within Council's finance department responsible for the preparation of financial reports authorised by the Director – Business, Cultural & Financial Services;
- e) members of Council's internal audit committee;
- f) an auditor of Council (including an auditor from the Audit Office of New South Wales).

4.5.4 Permitted Purposes - A person specified in section 4.5.3 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.

4.5.5 An individual may access their personal information provided by a KMP in a RPT Notification or contained in a register of related party transactions if requested in writing to the General Manager.

4.6 Government Information (Public Access) [GIPA] Status

4.6.1 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.

4.6.2 Not GIPA-accessible

A GIPA 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; will be refused on the grounds the document or information comprises information for which there is an overriding public interest against disclosure pursuant to Section 14 of the Government Information (Public Access) Act.

4.6.3 Transactional Documentation

A GIPA 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 *Government Information (Public Access) Act*.

5 Definitions

Definitions

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| arm's length terms | Terms between parties that are reasonable in the circumstances of the transaction that would result from: <ul style="list-style-type: none"> 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 family | 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: |

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| | <ul style="list-style-type: none"> 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; and d) 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 | <p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> 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, d) 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 | <p>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.</p> |
| joint venture | <p>An arrangement of which 2 or more parties have joint control and have rights to the net assets of the arrangement.</p> |
| joint venturer | <p>A party to a joint venture that has joint control of that joint venture.</p> |

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| key management personnel or key management person or KMP | <p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are:</p> <ul style="list-style-type: none"> a) the Mayor; b) Councillors; c) the General Manager d) the Directors of each department. |
| ordinary citizen transaction | <p>Transactions that an ordinary citizen would undertake with Council, which are undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.</p> <p>Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> a) paying rates and annual charges b) using Council's public facilities after paying the corresponding fees. |
| related party | <p>A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.</p> <p>Examples of related parties of Council are:</p> <ul style="list-style-type: none"> a) Council subsidiaries (if applicable); 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 | <p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.</p> <p>Examples of related party transactions are:</p> <ul style="list-style-type: none"> 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 (e.g. loans); h) provision of guarantees (given or received); 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 | <p>A document entitled Related Party Transactions Notification provided by Key Management Personnel in the form set out in Attachment A.</p> |
| significant influence | <p>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 <i>Investments in Associates & Joint Ventures</i>, paragraphs 3, 5 and 6.</p> |

6 Exceptions

None

7 Legislation

Local Government Act 1993 and Regulation
Accounting Standard AASB 124 Related Party Disclosures
Privacy and Personal Information Protection Act 1998
Privacy and Personal Information Protection Regulation 2014
Government Information (Public Access) Act 2009

8 Related Documents

None

9 Directorate

Business Cultural and Financial Services



DECLARATION BY KEY MANAGEMENT PERSONNEL (KMP)

Name of Key Management Person:.....

Position of Key Management Person:.....

Please list details of known close family members, entities 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 |
|--------------------------|--------------|
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I..... declare that the above list
(insert full name) (insert position)

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 information 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".

I also declare that if any circumstances change throughout the year in relation to the above, that I am to contact Council within 30 days and complete an amended declaration.

Declared at on the.....
(insert place) (insert date)

.....(signature)