

POLICY REGISTER

RELATED PARTY DISCLOSURES POLICY

Policy adopted: 23rd March 2017 Minute No. 67.3.17

Reviewed:

File Ref: P13-1

Table of Contents

Introduction..... 3

Purpose..... 3

Scope 3

Definitions 3

Policy Statement 4

Related Parties 5

 Entities Related to Council 5

 Key Management Personnel (KMP) 5

Disclosure 7

 Council Disclosure 7

 Related Party and KMP Disclosure 7

Related Party Transactions..... 9

Procedures 9

Privacy and Access to Government Information (Public Access) Act 2009 (GIPA Act)..... 9

Related Information/Glossary 9

Review 10

Contact 10

Appendix A – Related Party Transactions Notification..... 11

Appendix B – Related Party Relationships Notification by Key Management Personnel 14

Appendix C – Examples of Related Parties and Transactions..... 16

Appendix D – Related Party Register..... 19

Introduction

From 1 July 2016, Council is required to disclose Related Party Relationships and Transactions; as well as Key Management Personnel (KMP) compensation in its Annual Financial Statements in accordance with the Accounting Standard AASB 124.

The objective of this policy is to ensure that Warren Shire Council's financial statements contain the necessary related party disclosures, thereby ensuring transparency in dealings and their effect on Council's financial reports. These disclosures draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

Purpose

The purpose of this policy is to:

1. 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
2. ensure that Council's Related Party Relationships are disclosed, irrespective of whether there have been transactions between them

Scope

This Policy assists in:

- a. identifying related parties and relevant transactions; 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
- b. identifying outstanding balances, including commitments, between Council and its related parties
- c. establishing systems to capture and record the Related Party Transactions and information about those transactions
- d. identifying the circumstances in which disclosure of the items in (a) and (b) are required
- e. determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB 124

Definitions

AASB 10 – the Australian Accounting Standards Board - Consolidated Financial Statements – details the criteria for determining whether Council has significant influence over an entity

AASB 11 – the Australian Accounting Standards Board - Joint Arrangements - details the criteria for determining whether Council has significant influence over an entity

AASB 124 - the Australian Accounting Standards Board - Related Party Disclosures Standard under Section 334 of the *Corporations Act 2001*

AASB 128 – the Australian Accounting Standards Board - Investments in Associates and Joint Ventures - details the criteria for determining whether Council has significant influence over an entity

The Act - *the Local Government Act 1993*

The Regulation - *the Local Government (General) Regulation 2005*

Key Management Personnel - are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

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 of 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.

Related Party - any person or entity that is related to the entity that is preparing its financial statements (referred to in this standard as the 'reporting entity').

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) - 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.

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.

Policy 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.

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

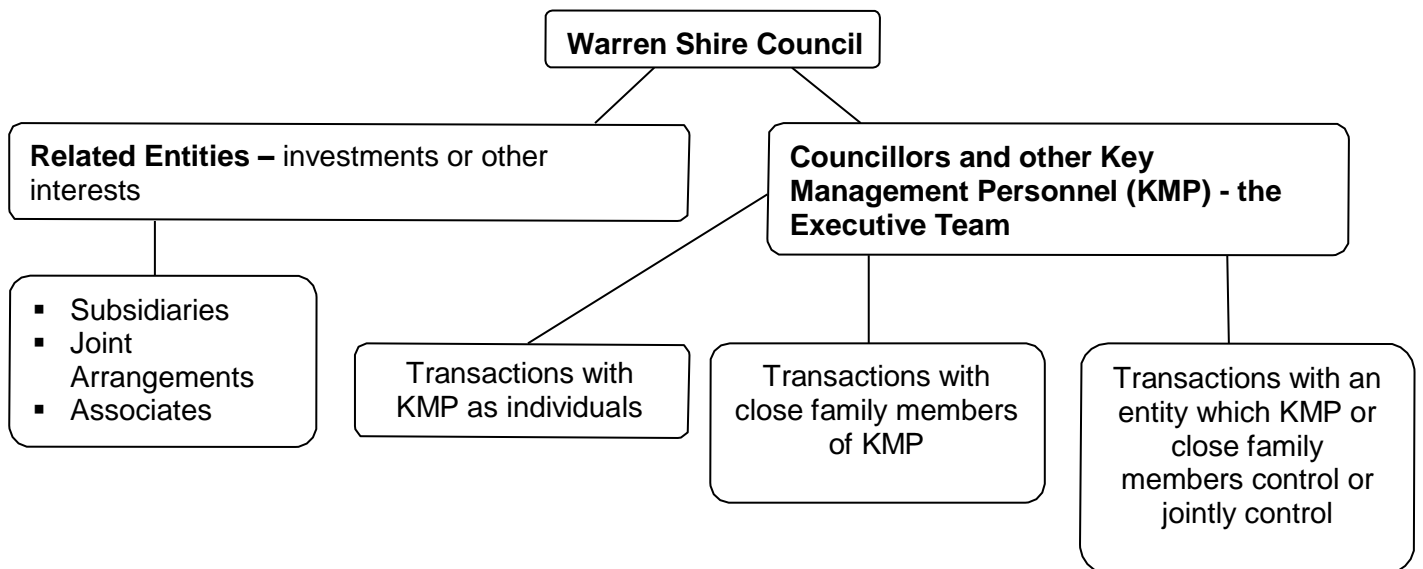
Regard must also be given to transactions that are collectively but not individually significant.

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.

Related Parties

Related Parties of Council are as follows:

- Entities Related to Council
- Key Management Personnel (KMP) of Council
- Close Family Members of KMP
- entities that are controlled or jointly controlled by KMP, or their close family members



Entities Related to Council

Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements. When assessing whether Council has control or joint control over an entity Council must consider AASB 10 and AASB 11. AASB 128 details the criteria for determining whether Council has significant influence over an entity.

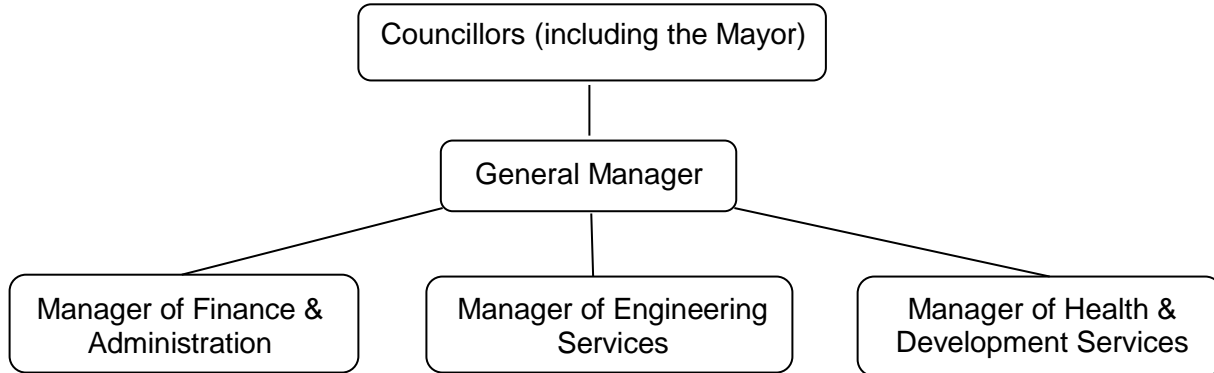
Council's Contracts Register, Leases and License Register and the Schedule of Debts Written Off will be reviewed to identify Related Party Transactions/Parties. This information will be included in the Related Party Register which will include all joint arrangements and updated on a quarterly basis.

Key Management Personnel (KMP)

KMP are persons having the authority and responsibility for planning, directing and controlling the activities of the entity (voting powers), directly or indirectly, including any director (whether

executive or otherwise) of the entity.¹

The following chart identifies KMP of Warren Shire Council:



Close Family Members of KMP

Those 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.

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 (General) Regulation 2005* (the Regulation). For the AASB 124, close family members could include extended members of a family such as, without limitation, a parent, grandparent, siblings, etc. (see table below).

Entities that are Controlled or Jointly Controlled by KMP or their Close Family Members

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

The following table will assist in identifying 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

¹ AASB 124

Disclosure

Council Disclosure

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 details:

- the nature of the Related Party Relationship
- relevant information about the transactions including:
 - the amount of the transaction
 - the amount of outstanding balances, including commitments
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement
 - details of any guarantee given or received
 - provision for doubtful debts related to the amount of outstanding balances
 - 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
- are not material or significant

These 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 arms-length transaction can only be made if such terms can be substantiated.

Related Party and KMP Disclosure

The types of disclosure that are required are as follows:

1. Relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them.
2. KMP compensation (remuneration) relate to all forms of consideration paid, payable, or provided in exchange for services provided in total and for each of the following categories:
 - **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
 - **Termination benefits**
3. Where Related Party Transactions have occurred:
 - The nature of the Related Party Relationship
 - Information about the transactions, outstanding balances and commitments, including terms and conditions
 4. Separate disclosure for each category of the Related Party.
 5. For the types of transactions to be disclosed refer to Related Party Transactions Section.

KMP Declarations must be made annually by 30 June by using the Related Party Transaction Disclosure by KMP form (see Appendix A).

Note: these Related Party Transaction Notification requirements are in addition to the notifications KMP are required to make to comply with, such as:

- for Councillors and KMP, the pecuniary interests and conflicts of interest obligations in the *Local Government Act 1993* and Code of Conduct

A Related Party Transaction, as opposed to the Register of Pecuniary 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 New South Wales Auditor General Office may audit related party information as part of the annual external audit.

Notifications by Key Management Personnel

In order to comply with the AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Responsible Accounting Officer 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.

KMPs must complete the Related Party Relationships Notification by Key Management Personnel Form (see Appendix B), notifying any existing or potential Related Party Relationships between Council and any related parties of the KMP, to the Responsible Accounting Officer by no later than the following periods during a financial year:

- 30 days after the commencement of this policy
- 30 days after a KMP commences their term or employment with Council

During the financial year, a KMP must proactively notify of any new or potential Related Party Relationships that the person knows of, or any changes to previously notified Related Party Relationships to the Responsible Accounting Officer by no later than 30 days after the person knows of the transaction or change.

Related Party Transactions

Related Party Transactions are required to be disclosed, regardless of whether 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
- settlements of liabilities on behalf of Council or by Council on behalf of the related party
- Expense recognised during the period in respect of bad debts
- Provision for doubtful debts relating to outstanding balances

Procedures

The method for identifying the close 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 KMPs to provide details of Related Parties and Related Party Transactions to the Responsible Accounting Officer.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register (Appendix D) held within the Governance Area.

Should a KMP have any uncertainty as to whether a transaction may constitute a Related Party Transaction they should contact the Responsible Accounting Officer who will make a determination.

Privacy and Access to Government Information (Public Access) Act 2009 (GIPA Act)

Information provided by KMPs 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.

Disclosures, Notifications and the Register are not available for public access under the GIPA Act.

Related Information/Glossary

- AASB 124 – Related Party Disclosures (July 2015)
- Australian Accounting Standards
- *Local Government Act 1993*
- *Local Government (General) Regulation 2005*
- *Government Information (Public Access) Act 2009*
- *Corporations Act 2001*
- Code of Conduct

Review

A review of KMP's and their related parties will be completed on adoption of this policy and then at intervals not exceeding six months.

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

- corporate restructure
- the related legislation/documents are amended or replaced
- as a result of changes to the Office of Local Government Local Government Code of Accounting Practice and Financial Reporting
- changes to AASB 124

Contact

Responsible Accounting Officer – 02 6847 6611

Appendix A – Related Party Transactions Notification



Warren Shire Council

RELATED PARTY TRANSACTION DISCLOSURE BY KEY MANAGEMENT PERSONNEL

PRIVATE AND CONFIDENTIAL

Name of Key Management Person:

Position of Key Management Person:

Please read the Related Party Disclosures Policy 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:

1. has previously entered into **and** which will continue in the financial year
2. has entered into, or is reasonably likely to enter into, in the financial year

Related Party's Name (Individual's or entity's name)	Relationship	Nature of Transaction Existing or Potential	Dollar/Equivalent Value	Description of Transaction Documents or Changes to the Related Party Relationship

Related Party's Name (Individual's or entity's name)	Relationship	Nature of Transaction Existing or Potential	Dollar/Equivalent Value	Description of Transaction Documents or Changes to the Related Party Relationship

KMP Compensation (remuneration) in total and for each of the following categories:

Type of Remuneration	Short-term Employee Benefits	Post-Employment Benefits	Other long-term Benefits	Termination benefits

Disclosure

I
(Full name) *(Position)*

notify that, to the best of my knowledge, information and belief,

as at the date of this disclosure, the above information 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 financial year.

I make this disclosure after reading the Related Party Disclosures Policy provided by Warren Shire 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 in relation to me and persons related to me and to use the information for the purposes specified in that policy.

Signature of named Key Management Person:

Dated:

Appendix B – Related Party Relationships Notification by Key Management Personnel



Warren Shire Council

RELATED PARTY RELATIONSHIPS NOTIFICATION BY KEY MANAGEMENT PERSONNEL

PRIVATE AND CONFIDENTIAL

Name of Key Management Person:

Position of Key Management Person:

If a transaction has occurred since your last declaration, list details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/joint controlled by close family members of KMP.

Details of Person or Entity	Relationship

Disclosure

I,

(Full name)

(Position)

notify that, to the best of my knowledge, information and belief,

as at the date of this disclosure, the above information 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 financial year.

I make this disclosure after reading the Related Party Disclosures Policy provided by Warren Shire 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 in relation to me and persons related to me and to use the information for the purposes specified in that policy.

Signature of named Key Management Person:

Dated:

Appendix C – Examples of Related Parties and Transactions



Warren Shire Council

EXAMPLES – RELATED PARTIES AND TRANSACTIONS

Some specific examples² of related party transactions may include:

- paying rates and utility charges in accordance with Council's Schedule of Fees and Charges
- using council's public facilities after paying the corresponding fees:
 - using the Council's public swimming pool after paying the normal fee
 - parking fees at rates available to the general public
 - attending Council functions that are open to the public
 - fines on normal terms and conditions
- entering into leases with Council or Council owned properties
- entering into contracts to provide/receive goods/services to/from Council
- use of Council assets free of charge (e.g. office space (for personal reasons))
- writing off debts due to/by related parties

Company that is a Related Party of Council – Example 1

Warren Shire Council (WSC) owns 90% of the shares in Warren Industrial Development Pty Ltd (the Company).

WSC has assessed that it has control over the company. The company is therefore a Related Party of WSC because WSC controls it.

WSC produces consolidated financial statements which include both a parent entity column and consolidated entity column. In the statements all individually significant transactions between WSC and the company will need to be disclosed. For other transactions that are collectively, but not individually, significant WSC will need to disclose a qualitative and quantitative indication of their extent.

WSC must also disclose the nature of its relationship with the company.

Key Management Personnel – Close Family Members – Example 2

WSC has recently employed Fred's son (Richard) in the Council's Parks & Gardens area. Fred is Council's Manager of Finance & Administrations but was not involved in hiring Richard. This process was managed by the Manager of Engineering Services and included an independent assessment process. Fred did not have any influence in Richard securing the job.

Fred has been identified as a KMP of Council, which makes him a Related Party.

² Provided by Hill Rogers

Richard will also be a Related Party of Council because he is a close family member of Fred. The recruitment process that was undertaken for Richard's position is irrelevant when assessing whether Richard is a Related Party.

Key Management Personnel – Close Family Members – Example 3

The Mayor of Warren Shire Council (Walter) has lived in the Shire his whole life. In fact his family has been in the area for over five generations.

Walter's cousin Mary, owns and operates a local newsagent through a company Today's News Pty Ltd, of which she is 100% owner. Walter and Mary have always been close and regularly socialise.

Walter has been identified as a KMP of the Council. Mary is classified as a Close Family Member of Walter because she would be able to influence, or be influenced by, that person with her dealings with Council.

Both Mary and the Company she controls, Today's New Pty Ltd would both be Related Parties of the Council. Any transactions that the Council makes with the newsagent would need to be separately identified and need to be disclosed.

Entities that are Controlled or Jointly Controlled by KMP or their Close Family Members – Example 4

Councillor Winx of Warren Shire Council is the President of Warren Jockey Club, the local racing club. The club is overseen by a committee which comprises the President and five other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 350 members that each have a vote in electing the committee members at the club's annual general meeting.

Councillor Winx does not control or jointly control the racing club so it will not be a Related Party of Council just because the Councillor Winx is the President of the club.

However, an entity where Councillor Winx has a Close Family Member who has a voting right would be considered as a Related Party.

Different Party Transactions that may occur between Related Parties - Example 5

The Council's functions include raising revenue to fund its functions and activities, and planning for and providing services and facilities (including infrastructure) for the local community. In carrying out its functions, the Council undertakes a wide range of activities including the imposition of rates and charges upon constituents, and the provision without charge of services such as parks and roads.

Councillor Paul is a ratepayer residing within the Council area. As such, Councillor Paul takes advantage of the availability of free public access to local parks and libraries. Councillor Paul also used the swimming pool at the Council's Recreation Centre twice during the financial year, paying the casual entry fee applicable to the general public each time. The recreation centre has approximately 5,000 visitors each financial year.

All of the transactions described above between the Council and Councillor Paul are related party transactions of the Council considered for disclosure in the Council's general purpose financial statements. Based on the facts and circumstances described, the Council may determine that these transactions are unlikely to influence the decisions that users of the Council's financial statements make having regard to both the extent of the transactions, and that the transactions have occurred between the Council and Councillor Paul within a public service provider/taxpayer relationship.

Contentious Issues

Note: where there are contentious issues in the determination of Related Party Disclosures Council should seek advice from the External Auditor.

When assessing whether a KMP or Close Family Member controls or jointly controls an entity, Council will need to refer to ASSB 10 and ASSB 11.

Appendix D – Related Party Register



Warren Shire Council

RELATED PARTY REGISTER

Name	Relationship	Nature of Transactions	Terms and Conditions	Reference - Supporting Evidence