

## POLICY OBJECTIVE

The objective of this policy is to:

1. Provide guidance and define the parameters for Related Party Relationships and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124 - Related Party Disclosures.
2. Ensure that the existence of certain related party relationships, related party transactions 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.

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

## SCOPE

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
  - 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

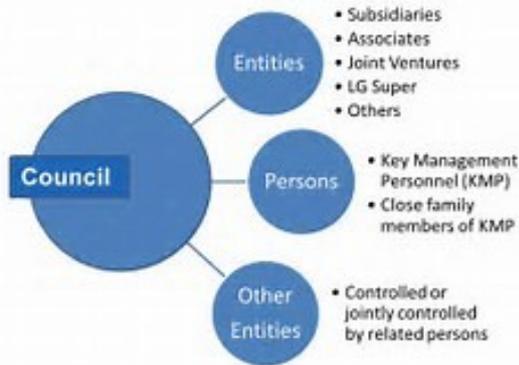
All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions if the transactions are Ordinary Citizen Transactions and to determine the significance of each of the transactions.

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 and are not material or significant

shall be excluded from detailed disclosures and 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.

The following diagram gives an overview of common related parties that a Council will have.



## APPLICATION OF THIS POLICY

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

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

The preferred method of reporting is for KMP to provide details of Related Parties and Related Party Transactions, utilising the Related Party Declaration by Key Management Personnel Form to the Manager Governance Safety and Risk.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register. Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction, they should contact the Manager Governance Safety and Risk for clarification.

A review of KMP's and their related parties will be completed on adoption of this policy and then annually by 30 June.

## PROCEDURAL STATEMENT

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

Related Party relationships are a normal feature of commerce and business. For example, entities frequently execute parts of their activities through subsidiaries, joint ventures, and associates. In those circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control, or significant influence.

A Related Party relationship could influence the normal business operations of Council even if Related Party Transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another - for example, a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect assessments of Council's operations.

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

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

- significance in terms of size
- was it conducted on non-market terms
- is it outside normal day-to-day Council operations
- was it subject to Council approval
- did it provide a financial benefit not available to the general public
- was the transaction likely to influence decisions of users of the Annual Financial Statements

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

## **PRIVACY**

Information provided by KMP and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance or legal reasons only.

## **RELATED LEGISLATION AND DOCUMENTS**

- Local Government Act 1993, NSW
- Local Government (General) Regulation 2021, NSW
- Australian Accounting Standard AASB 124 - Related Party Disclosures
- Privacy and Personal Information Protection Act 1998 (NSW) (PPIP Act)
- Office of Local Government – Local Government Code of Accounting Practice and Financial Reporting Update No. 24 – June 2016.
- Code of Conduct
- Payment of Expenses and Provision of Facilities to Councillors
- Privacy Management Plan
- Government Information (Public Access) Act 2009 (GIPA)

## **RELATED PARTY DECLARATION FORM**

Key management personnel must provide a related party disclosure form as set out in attachment one, 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 to the Manager, Governance Safety and Risk by no later than the following periods during a financial year (specified notification period):

- prior to termination of employment with Council or
- 31 July each year

## **KEY MANAGEMENT PERSONAL DECLARATION REGISTER**

The Manager Governance, Safety and Risk will maintain a register, as set out in attachment two, of existing key management personnel related party declarations.

The Manager Governance, safety and Risk will also maintain and keep up to date a register of related party transactions which captures and records the specified information for each existing or potential related party transaction during a financial year.

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The register of related party transactions must detail for each related party transaction:

- the description of the related party transaction
- the name of the related party
- the nature of the related party's relationship with Council
- whether the notified related party transaction is existing or potential
- a description of the transactional documents the subject of the related party transaction
- the information specified in this procedure under the heading *Disclosure Requirements*

## DEFINITIONS

Term	Meaning
Act	NSW Local Government Act 1993
AASB 124	Australian Accounting Standards Board, Related Party Disclosures Standard
Close members of the family of a person	<p>Are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:</p> <ul style="list-style-type: none"> <li>that person's children and spouse or domestic partner</li> <li>children of that person's spouse or domestic partner</li> <li>dependents of that person or that person's spouse or domestic partner</li> </ul>
Entity	Can include companies, trusts, joint ventures, partnerships, incorporated association or unincorporated group or body and non-profit associations such as sporting clubs
Key Management Personnel (KMP)	<p>AASB 124 defines KMP's as "those persons having authority and responsibility, either directly or indirectly, for planning, directing and controlling the activities of the entity."</p> <p>For Council purposes KMP include:</p> <ul style="list-style-type: none"> <li>the mayor</li> <li>Councillors</li> <li>General Manager; and <input type="checkbox"/> Directors</li> </ul>
KMP Compensation	<p>All forms of consideration paid, payable, or provided in exchange for services provided, and may include:</p> <ul style="list-style-type: none"> <li><i>Short-term employee benefits</i>, 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</li> <li><i>Post-employment benefits</i> such as pensions, other retirement benefits, postemployment life insurance and post-employment medical care</li> <li><i>Other long-term employee benefits</i>, 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</li> <li><i>Termination benefits</i></li> </ul>
Material (materiality)	The assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis an entity's financial statements. For this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Term	Meaning
<p>Ordinary Citizen Transaction (OCT)</p>	<p>A transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council. Examples of OCT's includes:</p> <ul style="list-style-type: none"> <li>a) Paying Council fees, rates, or charges</li> <li>b) Attending Council functions that are open to the public</li> <li>c) Payment for goods or services from Council at rates published in Council's Schedule of Fees and Charges</li> </ul>
<p>Possible (Possibly) Close members of the family of a person</p>	<p>Are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:</p> <ul style="list-style-type: none"> <li>a) that person's brothers and sisters</li> <li>b) aunts', uncles, and cousins of that person's spouse or domestic partner</li> <li>c) dependents those persons' or that person's spouse or domestic partner as stated in (b)</li> <li>d) that person's or that person's spouse or domestic partners, parents and grandparents</li> </ul>
<p>Related Parties</p>	<p>For the purposes of this policy, related parties of Council are:</p> <ul style="list-style-type: none"> <li>• entities related to Council</li> <li>• KMP of Council</li> <li>• close family members of KMP</li> <li>• possible close family members of KMP's</li> <li>• entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members</li> </ul> <p>Also, a person or entity is a related party of Council if any of the following apply:</p> <ul style="list-style-type: none"> <li>• they are members of the same group (which means that each parent, subsidiary, and fellow subsidiary is related to the others)</li> <li>• they are an associate or belong to a joint venture of which Council is part of</li> <li>• they and Council are joint ventures of the same third party</li> <li>• they are part of a joint venture of a third party and Council is an associate of the third party</li> <li>• they are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council</li> <li>• they are controlled or jointly controlled by Close members of the family of a person</li> <li>• they are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council</li> <li>• they or any member of a group of which they are a part, provide KMP services to Council</li> </ul>
Term	Meaning

<p>Related Party Transaction</p>	<p>Is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.</p> <p>Such transactions may include:</p> <ul style="list-style-type: none"> <li>• purchase or sale of goods (finished or unfinished)</li> <li>• purchase or sale of property and other assets</li> <li>• rendering or receiving services</li> <li>• leases</li> <li>• transfers of research and development</li> <li>• transfers under licence agreements</li> <li>• transfers under finance arrangements (including loans and equity contributions in cash or in kind)</li> <li>• provision of guarantees or collateral</li> <li>• commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)</li> <li>• quotations and/or tenders</li> <li>• commitments; and</li> <li>• settlements of liabilities on behalf of Council or by Council on behalf of the related party</li> </ul>
<p>Regulation</p>	<p>NSW Local Government (General) Regulation 2021</p>
<p>Significant (significance)</p>	<p>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</p>
<p>Remuneration</p>	<p>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</p>

**POLICY VERSION CONTROL**

Policy Title		Related Party Disclosure Policy	
ECM Doc Set ID		27217	
Date originally endorsed/adopted		20 July 2017	
Council minute number			
Responsible Officer		Manager, Governance Safety and Risk	
Version Number	Modified By	Modifications Made	Date modified version endorsed/adopted and resolution number where applicable
2	Acting Manager Governance, Safety & Risk	Updated to reflect Council new Policy format, change of titles to reflect the new structure, modernisation, and Policy references.	2023/1121/12.5
Next revision		30 June 2026	

Attachment One Related Party Declaration Form



RELATED PARTY DECLARATION FORM

Name of Key Management Person:	
Position of Key Management Person:	
Reporting Period:	
<p><b>List details of close family member, entities that are controlled/jointly controlled by you and entities that are controlled/jointly controlled by close family members</b></p> <p><i>(Please refer to definitions in Related Party Disclosures Policy and consider the additional guidance provided in the Related Party Disclosures Information Sheet for KMP)</i></p>	
Name of person or entity	Relationship
<p>I _____ <i>(insert full name)</i>, _____ <i>(insert position)</i>          declare that that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members. I make this declaration after reading the Council's Related Party Disclosures Policy which details the meaning of the words 'close family members' and 'entities controlled, or jointly controlled, by myself or my close family members'.</p>	
Declared at:	Deniliquin, New South Wales 2710
on the	<i>(insert date)</i>
Signature of KMP:	

**Attachment Two Key Management Personal Declaration Register**



**Attachment Two – Key Management Personnel Declaration Register**



**Financial Reporting Obligations – AASB 124  
Key Management Personnel Declaration Register**

**Reporting Period: 1 July 20XX to 30 June 20XX:**

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