



Related Party Disclosures Policy

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Related Documents	Not applicable
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Purpose and Scope

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124 - Related Party Disclosures. It is important to emphasise that AASB 124 Related Party Disclosures (AASB 124) is not designed to detect and report fraud.

This policy shall be applied by Uralla Shire Council (Council) in:

- a) identifying related party relationships and transactions;
- b) identifying outstanding balances, including commitments, between Council and its related parties;
- c) identifying the circumstances in which disclosure of the items in paragraphs (a) and (b) are required; and
- d) determining the disclosures to be made about the items in paragraphs (a) and (b).

This policy applies to Related Parties of Council and their Related Party Transactions with Council (as defined in the Definitions section of this policy).

Legislation, Standards and Guidelines

- *NSW Treasury Circular TC 16-12: Related party disclosures*
- *NSW Local Government Act 1993*
- *Local Government (General) Regulation 2005*
- *AASB 124 Related Party Disclosures*
- *AASB 10 Consolidated Financial Statements*
- *AASB 11 Joint Arrangements*
- *AASB 128 Investments in Associates and Joint Ventures*
- *Code of Conduct*
- *Uralla Shire Council Operating Policies*

Definitions

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

"Act" - means the NSW Local Government Act 1993.

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

- (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.

"Control" - is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

"Entity" - can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

"Key management personnel" -are those persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly, including any director (whether executive or otherwise) of that Council.

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

- Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free or 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; and
- Share-based payment.

"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 Council's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

"Ordinary Citizen Transaction" - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

"Possible Close members of the family of a person" - are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's brothers and sisters;
- (b) aunts, uncles, and cousins of that person's spouse or domestic partner;
- (c) dependants of those persons or that person's spouse or domestic partner as stated in (b); and
- (d) that person's or that person's spouse or domestic partners, parents and grandparents.

"Related Party" - is a person or entity that is related to the Council (which is preparing its financial statements).

- (a) A person or a close member of that person's family is related to Council if that person:
 - (i) has control or joint control over the Council;
 - (ii) has significant influence over the Council; or
 - (iii) is a member of the key management personnel of the Council.
- (b) An entity is related to Council if any of the following conditions applies:
 - (i) The entity and the Council are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the

Council or an entity related to the Council. If the reporting entity is itself such a plan, the sponsoring employers are also related to the Council.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

“Related party transaction” - is a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged. In considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form.

Policy Statement

Related party relationships are a normal feature of commerce and can affect the profit or loss and financial position of an entity. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer. Therefore, knowledge of an entity’s transactions, outstanding balances (including commitments, and relationships with related parties) may affect assessments of its operations by users of the financial statements.

In addition, the profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties.

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

Identification of Key Management Personnel (KMP)

KMP's for the Council are considered to include:

- Councillors (including the Mayor);
- General Manager;
- Senior Executive Officers (including Directors and the General Manager)
- Public Officer;
- Responsible Accounting Officer; and
- Any other person that may fall within the definition of KMP.

Identification of Related Parties

For the purposes of this Policy, related parties of Council are considered to include:

- Entities related to Council;
- Key Management Personnel (KMP) of Council
- Close family members of KMP;
- Possible close family members of KMP's;
- Entities or persons that are controlled or jointly controlled by KMP, or their close family members,

- or their possible close family members; and
- o Any other entity that would fall within the definition of related party.

Systems for Identification of KMP's and Related Parties

Council management shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of Key Management Personnel shall be by (but not limited to) KMP self-assessment. A review of related parties will be undertaken at twelve monthly intervals or sooner if required. KMP have a responsibility to identify and report any changes to their related parties as they occur. Prior to the commencement of this policy taking effect an initial identification process will be undertaken and recorded.

Disclosures

in accordance with AASB 124 – Related Party Disclosures Council shall, in its financial statements disclose:

a) Key management personnel compensation in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits; and

b) Where Council has related party transactions it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments. As a minimum the disclosures shall include:

- The amount of the transactions;
- The amount of outstanding balances, including commitments and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlements;
- Details of any guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

c) Disclosures made under (b) shall be made separately for each of the following categories:

- Subsidiaries of Council;
- Associates of Council;

- Joint ventures in which Council is a joint venturer;
- Key management personnel; and
- Other related parties.

d) Items of a similar nature shall be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council.

e) Transactions not considered material (as defined in AASB 101 Presentation of Financial Statements, 101.7) shall not be disclosed. Assessing transactions for materiality shall be undertaken in conjunction with Council's external auditor and audit committee.

Identification and Recording of Related Party Transactions

Council management shall identify suitable methodology and procedures for identifying and reporting on related party transactions. Identification and reporting methods shall consider;

- Transactions occurring via Council's accounting and electronic records management systems;
- Other transactions not passing through Council's electronic accounting / management systems; and
- The identification of the associated terms and conditions of the related party transactions.

If any elected member or employee believes a transaction may constitute a related party transaction they must notify the General Manager who will, in consultation with the Chief Financial Officer, make a determination on the matter.

Ordinary Citizen Transactions (OCT)

Transactions with related parties of Council which are of a nature that any ordinary citizen would undertake will not be captured and reported. These transactions are not material transactions because of their nature. However, if the OCT occurs on terms and conditions that are different to those offered to the general public the transaction may become material and subsequently disclosed.

Ordinary Citizen Transactions shall include:

- Use of Council facilities, equipment and services in accordance with Council's fees, charges and policies;
- Payment of rates and charges;
- Attendance at Council functions and activities that are open to the public;
- Payment of fines and other penalties on normal terms and conditions; and
- Related party transactions occurring during the course of delivering Council's public service objectives and which occur on no different terms to that of the general public.

Amendments to transactions classified as Ordinary Citizen Transactions may be identified from time to time and this policy will be amended accordingly.

Privacy

Collection and storage of personal information is governed by the Privacy Act 1988 and the Privacy and Personal Information Protection Act 1998. Information provided by Council's Key Management Personnel and other related parties shall be held for the purpose of compliance with Council's legal obligations and shall be disclosed where required for compliance or legal reasons only.

Responsibility

The Chief Financial Officer is responsible for the day to day management of the Related Party Disclosures Policy.

Accountability, Roles and Responsibility

It is important that Key Management Personnel of the Council are subject to a high level of accountability, including appropriate disclosure of their transactions with the Council in the annual financial statements in accordance with AASB 124.

Attachments

Nil