

Policy No. PP011

# Related Party Disclosure Policy

## Related Party Disclosure Policy

### 1 INFORMATION ABOUT THIS POLICY

#### POLICY INFORMATION

<b>Date Adopted by Board</b> 22 December 2016	<b>Resolution No.</b> 19/109
<b>Policy Responsibility</b> Corporate Services Manager	
<b>Review Timeframe</b> 4 Yearly (Once Per Council Term)	
<b>Last Review</b> December 2019	<b>Next Scheduled Review</b> December 2023

#### DOCUMENT HISTORY

DOCUMENT NO.	DATE AMENDED	SUMMARY OF CHANGES
	13/12/2019	Significant rewrite of policy including definitions, reporting requirements and privacy
	DD/MM/YYYY	
	DD/MM/YYYY	

#### FURTHER DOCUMENT INFORMATION AND RELATIONSHIPS

<b>Related Legislation</b>	<b>Local Government Act 1993</b> <b>Local Government (General) Regulation 2005</b> <b>Privacy Act 1988</b>
<b>Related Policies</b>	
<b>Related Procedures, Protocols, Statements and Documents</b>	<b>AASB 124 Related Party Disclosures</b> <b>Local Government Code of Accounting Practice and Financial Reporting</b> <b>Related Party Transactions Notification</b>

## Related Party Disclosure Policy

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## Related Party Disclosure Policy

### 3 PURPOSE

The purpose of this policy is to ensure that required information is captured about related party relationships and transactions concerning key management personnel, their close family members and entities they control or jointly control, to enable disclosure in Council's financial statements in accordance with *AASB124 – Australian Accounting Standard 124 Related Party Disclosures*. The disclosures allow users of Council's financial statements to understand potential effects related party transactions may have on its financial position.

### 4 SCOPE

This policy applies to all related party transactions, whether they are material or not between Goldenfields Water County Council and a related party.

### 5 DEFINITIONS

**Related Parties** - A person or entity that is related to the entity that is preparing its financial statements. For the purpose of this policy related parties are entities related to Council, KMP and close family members of KMP of Goldenfields Water County Council.

**Key Management Personnel (KMP)** - People that have authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly. For the purposes of this policy key management personnel are elected members, the general manager, directors and managers. Persons acting in a KMP position will not be considered KMP unless they are acting for a period of more than five consecutive weeks.

**Close Family Members** - Close family members are people who can be expected to influence or be influenced by KMP. This includes but is not limited to a spouse or partner, children and dependents, children and dependents of spouse or partner, parents, grandparents and other family members. Other family members that would expect to influence or be influenced by KMP need to be included as close family members.

**Arm's Length Transactions** - A transaction between two related parties that is conducted as if they were unrelated, so that there is no question of conflict of interest.

**Ordinary Citizen Transactions** - Transactions that are made on an arm's length basis between the Council and KMP and their close family members that an ordinary citizen of the community would transact with the Council. This would include non-material Water Rates on properties they own. These transactions are exempt from notification under this policy.

**Normal Terms and Conditions** - The standard rules governing transactions between Council and all external bodies. These can be governed by policies, legislation or accepted business practices.

**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 of an entity's financial statements. For the purpose of this policy, Council will utilise \$10,000 as the threshold for materiality.

## **6 POLICY BACKGROUND**

*AASB 124 Related Party Disclosures* requires public sector entities to disclose related party transactions in their annual financial statements. KMP are responsible for identifying their related party relationships and notifying Goldenfields Water County Council of any related party transactions. The Corporate Services Manager is responsible for maintaining related party information, and is also responsible for preparing disclosure requirements in order to comply with the Local Government Act, the Local Government Regulation, the NSW Code of Accounting Practice and Australian Accounting Standards.

## **7 IDENTIFYING RELATED PARTIES AND TRANSACTIONS**

### **7.1 Related Party Relationships**

Council will identify any entities and KMP that fall within the definition of a related party.

### **7.2 Related Party Transactions**

A related party transaction is a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged. Examples of transactions that are captured for analysis and are included for disclosure, but are not limited to:

- Purchases or sales of goods, property and other assets
- Rendering or receiving goods and / or services
- Development Applications and Infrastructure Contributions
- Leases
- Commitments to do something if a particular event occurs or does not occur in the future
- Settlement of liabilities on behalf of Council or by Council on behalf of the related party
- Compensation made to KMP
- Quotations and / or tenders

Further information regarding Related Party Transactions may be sourced from Council's accounts payable, accounts receivable, applications, payroll and document management systems.

### **7.3 Notification**

KMP must provide a Related Party Transactions Notification form, 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 Corporate Services Manager. Notification forms must be provided no later than 14 July each year, for the previous financial year.

The notification requirement above does not apply to:

- a) Related party transactions that are transactions in common with the general public, not assessed as being material (eg. Water Rates); and
- b) For Councillors, expenses incurred and facilities provided to a Councillor during the financial year, under Council's Councillor Expenses and Facilities Policy, the particulars of which are contained in Council's Annual Report.

## 7.4 Materiality

All transactions involving related parties will be captured and reviewed to determine materiality and significance.

The following matters must be considered in determining the materiality and significance of any related party transactions;

1. Significance of transactions in terms of size
2. Whether the transaction was carried out on non-market terms
3. Whether the transaction is outside normal day-to-day business operations, such as purchase and sale of assets
4. Whether the transaction is disclosed to regulatory or supervisory authorities
5. Whether the transaction has been reported to senior management
6. Whether the transaction was subject to Council approval
7. Whether the transaction provides a financial benefit which is not available to the general public

## 8 DISCLOSURE

### 8.1 Required Disclosures and Reporting

AASB124 provides that Council must disclose the following financial information in its financial statements for each financial year:

- a) *Disclosure of any related party relationship* – must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.
- b) *KMP Compensation Disclosures* – must disclose in the annual financial statements KMP for each of the following categories of compensation in total:
  - a. Short-term employee benefits
  - b. Post-employment benefits
  - c. Other long-term benefits
  - d. Termination benefits

### 8.2 Related Party Transaction Disclosures

Council must disclose all material and significant Related Party Transactions in its annual financial statements. Disclosures shall include:

1. The nature of the related party relationship; and
2. Information about transactions and outstanding balances including:
  - a. The amount of the transactions;
  - b. 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;
  - c. Provisions for doubtful debts related to the amount of outstanding balances; and
  - d. The expense recognised during the period in respect of bad or doubtful debts due from related parties.

## 9 INFORMATION PRIVACY

- Information (including personal information) provided by a KMP in a notification form is classified as confidential and is not available for inspection or disclosure to the public, including a GIPA request.
- A GIPA request for access to information about a KMP Notification will be refused on the grounds that the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest.
- Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a notification by a KMP, for any other purpose or to any other person except with the prior written consent of the subject KMP.
- The following persons are permitted to access, use and disclose the information (including personal information) provided in a notification:
  - KMP for information about themselves;
  - Officers of Council's Corporate Services Department responsible for maintaining related party information and preparing financial reports;
  - Members of Council's audit committee;
  - Auditors of Council.
- A KMP can request access to their records as long as it doesn't breach the privacy of any other person or entity.

**Related Party Transactions Notification**  
**Goldenfields Water County Council**

**Transactions from 1 July 20..... To 30 June 20....**

***[Note: This document is confidential. See Council's Related Party Disclosure Policy]***

Name of Key Management Person: \_\_\_\_\_

Position of Key Management Person: \_\_\_\_\_

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 current financial year; or
- b. Has entered into, or is reasonably likely to enter into, in the current financial year.

**KMP Declaration**

I have made inquiries of my close family members and to the best of my knowledge, the information provided in this Notification is complete and accurate for the reported financial year. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of Goldenfields Water County Council.

Signature of KMP: \_\_\_\_\_

Date: \_\_\_\_\_



Description of Related Party Transaction	If Monetary, what is the value of the transaction (excl of GST)	Is transaction existing/potential?	Related Party's Name (Individual's or Entity's name & ABN if applicable)	Related Party's Relationship/reasons why related