



## Central Darling Shire Council

<b>Title of Policy</b>	Related Party Disclosures Policy		
<b>This applies to</b>	All public officials of Central Darling Shire Council		
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<b>Position of Author</b>	General Manager	<b>Authorised by:</b>	
<b>Legislation, Australian Standards, Code of Practice</b>	Local Government Act 1993 Local Government (General) Regulation 2005 Accounting Standard AASB 124 Related Party Disclosures Accounting Standard AASB 10 Consolidated Financial Statements Accounting Standard AASB 11 Joint Arrangements Privacy and Personal Information Protection Act 1998 Government Information (Public Access) Act 2009		
<b>Related Policies/Procedures</b>	Code of Conduct		

## Objective

The objective of this policy is to 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 to achieve compliance with AASB 124, the Privacy and Personal Information Protection Act 1998 [PPIPA] and the Government Information (Public Access) Act 2009 [GIPAA].

## 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, key management personnel and close family members of key management personnel of Central Darling Shire Council.

## **Related Party Transaction**

A related party transaction is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

## **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 Council purposes KMP include:

- Mayor
- Councillors
- General Manager
- Directors
- Human Resources Officer

## **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 spouse or partner, children and dependents, children and dependents of spouse or partner and possibly 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.

## **KMP Compensation**

All forms of consideration paid, payable or provided in exchange for services provided.

Compensation categories include:

- Short Term Employment Benefits
- Post Employment Benefits
- Other Long Term Benefits, and
- Termination Benefits.

## **Arms Length Transaction**

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 includes but is not limited to payment of rates for properties owned by the KMP.

## **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.

## **Control**

Is the power to govern the financial and operating policies of an entity so as to obtain benefits

from its activities.

### **Joint Control**

Is the contractually agreed sharing of control over an economic activity.

### **Significant influence**

Is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

### **Responsible Accounting Officer**

A position of Council with regulatory responsibilities, as described in the Local Government (General) Regulation 2005, currently filled by the Director Business Services.

### **Materiality**

The assessment of whether the transaction, either individually or in the 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.

## **Policy Statement**

Related party relationships are a normal feature of business. Related parties may enter into transactions that unrelated parties would not. Therefore a related party relationship has potential to have an effect on the profit or loss and financial position of Council.

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.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with Related Parties) may affect the assessment of Council's operations by users of Financial Statements, including assessments of the risks and opportunities facing the Council.

Council will exercise compliance with the disclosure requirements of AASB 124 by executing the following steps:

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

## **Related Parties**

### **Identification of Key Management Personnel (KMP)**

KMP for Central Darling Shire Council are considered to include:

- Mayor,
- Councillors,
- the General Manager,
- Directors,
- Human Resources Officer
- staff whom from time to time will act in any of the above mentioned positions

### **Identification of Related Parties**

A person or entity is considered a related party of Council if any of the following conditions apply:

- a) They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- b) They are an associate or belong to a joint venture of which Council is a part
- c) They and Council are joint ventures of the same third party
- d) They are part of a joint venture of a third party and Council is an associate of the third party
- e) They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.
- f) They are controlled or jointly controlled by close or possibly close members 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.
- g) 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.
- h) They, or any member of a group which they are a part, provide KMP services to Council.

For the purposes of this policy, related parties of Council are:

- a) Entities related to Council;
- b) KMP of Council;
- c) Close family members of KMP;
- d) Possible close family members of KMP; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

Please see Appendix 1 for examples of common related parties of Council.

KMP will identify all entities that are controlled or jointly controlled by close family members through the self-assessment process. Should uncertainties or any other contentious issues arise during this process the KMP are responsible for discussing this with Council's Responsible Accounting Officer who can consult Council's external auditor for clarification if necessary.

### **Annual Review of Related Parties**

A review of KMP and their related parties will be completed at the beginning of each financial year, whereby the identified KMP will be required to complete the Related Party Declaration

(see Appendix 2) by 31 July and present this to Council's Responsible Accounting Officer.

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP are responsible for keeping the Responsible Accounting Officer updated when any changes to those related parties occur outside of those times.

Particular events, such as a change in Councillors, General Manager or Directors will also trigger a review of Council's related parties immediately following such an event.

Council's Responsible Accounting Officer will be responsible for identifying Council subsidiaries, associates and joint ventures.

Council's Responsible Accounting Officer will maintain a register of all declared and identified related parties.

## **Related Party Transactions**

### **Types of Transactions**

The following are examples of transactions that are disclosed if they are transacted with a related party:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Quotations and/or tenders;
- Commitments;
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party;
- Grants and subsidy payments made to associated entities of Council;
- Non-monetary transactions; and
- Compensation made to key management personnel and their close family members.

### **Materiality of Transactions**

AASB 124 grants Council discretion to use its judgment when determining the level of detail to be disclosed in the financial statements. It should be noted that materiality is not simply determined by the value of a transaction, many other factors are considered. As well as considering the closeness of the related party relationship other factors to be considered, when assessing related party transactions, are:

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day business operations, such as the purchase and sale of businesses;
- disclosed to regulatory or supervisory authorities;
- reported to senior management;
- subject to shareholder approval.

### **Ordinary Citizen Transactions**

Ordinary citizen transactions are those transactions that are made on an arm's length basis between Council and related parties that an ordinary citizen of the community would transact

with the Council.

Examples of these include such things as rates payments for properties owned by the related party and dog registration payments.

Council will identify all transactions between Council and related parties. Any that are deemed to be ordinary citizen transactions will not typically be required to be disclosed in the annual financial report.

Transactions between Council and related parties that would normally be considered to be ordinary citizen transactions but where the terms and conditions differ from normal practice will not be considered to be an ordinary citizen transaction for the purposes of this policy. These will be disclosed in Council's annual financial statements in the related party disclosure.

Please note that KMP are still required to notify the Responsible Accounting Officer of these transactions via the process outlined below and the determination of whether or not disclosure is required is vested with the Responsible Accounting Officer and Responsible Accounting Officer. Should uncertainties or any other contentious issues arise during this process the KMP are responsible for discussing this with Council's Responsible Accounting Officer who can consult Council's external auditor for clarification if necessary.

### **Identification of all Related Party Transactions**

All related party transactions will be captured to allow a full assessment of transactions that are to be included in the related party disclosure per the disclosure requirements contained in AASB 124.

This will also allow Council's external auditors to perform a full analysis of the entire process that results in the related party transaction disclosure.

All KMP will be required to complete and submit a Related Party Transaction Declaration (Appendix 3) to the Responsible Accounting Officer, a notification advising of any known related party transactions that have occurred in the past 6 month period and any related party transactions that have the potential of occurring in the next 6 month period. A "Nil" notification will be required to be submitted to the Responsible Accounting Officer if no transactions are required to be reported.

These notifications will be due to the Responsible Accounting Officer by 31 January and 31 July covering the reporting periods from 1 July to 31 December and 1 January to 30 June respectively.

To ensure all related party transactions are captured and recorded, the Responsible Accounting Officer is responsible for reviewing, if required, other sources of information held by Council including, without limitation:

- a) a register of related parties of a KMP and of persons related to the KMP;
- b) Council's pecuniary interest returns;
- c) minutes of Council and committee meetings;
- d) Council's Contracts' Register.

Council's Responsible Accounting Officer will maintain a register of all declared and independently identified related party transactions.

## Required Disclosures and Reporting

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

1. *Disclosure of any material related party transactions* - if there have been material transactions between related parties, Council must disclose the nature of the relationship with the related party, as well as sufficient information about the transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.
2. *KMP Compensation Disclosures* - must disclose in the financial statements KMP compensation in total for each of the categories.

If an elected member or staff member is affected by the related party disclosure they will be given a copy of the disclosure for comment before the external audit is finalised. All comments will be considered however any deviations from the standard policy will not be included in the final disclosure. The General Manager will give the final approval of what will be contained in the disclosure.

## Information Privacy

### Confidential

The following information is classified as confidential and is not available for inspection by or disclosure to the public, including through a GIPAA application:

- a) information (including personal information) provided by KMP in a related party disclosure; and
- b) personal information contained in a register of related party transactions.

### Storage of information

Declarations and registers pertaining to the Council's related parties and related party transactions will be maintained within a secure and confidential location of Council's records management system.

### When Consent is Required

Except as specified in this Policy, Council and other permitted recipients will not use or disclose personal information provided in a related party disclosure by 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.

### Permitted Recipients and Permitted Purposes

For the purpose of this policy the following persons are permitted to access, use and disclose the information (including personal information) provided in a related party disclosure or contained in a register of declared related parties and/or related party transactions:

- a) the General Manager;
- b) the Responsible Accounting Officer and Manager Finance;
- c) Public Officer;
- d) an Auditor of Council (including an Auditor from the NSW Auditor General's Office).

For the purpose of this policy any person specified above may access, use and disclose information (including personal information) in a related party disclosure or contained in a register of declared related parties and/or 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 related party disclosure or contained in a register of related party transactions;
- c) to comply with the disclosure requirements of AASB 124;
- d) to verify compliance with the disclosure requirements of AASB 124.

### **Government Information (Public Access) [GIPA] Status**

The following documents are not open to or available for inspection by the public:

- a) related party disclosures provided by KMP; and
- b) a register of related party transactions.

A GIPA application seeking access to:

- a) a document or information (including personal information) provided by KMP in a related party disclosure; or
- b) personal information contained in a register of related party transactions;

will be refused on the grounds that the document or information comprises information for which there is an overriding public interest against disclosure pursuant to Section 14 of GIPA Act.

A GIPA application seeking access to, and release of, transactional information and documentation about 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 GIPA.



## Appendix 1

### Examples of common related parties of Council

Likely to be a Related Party of Council	May be a Related Party of Council
<p>Councillors (including the Mayor)</p> <p>General Manager (GM)</p> <p>Children of the Mayor, Councillors and the GM</p> <p>Spouse/Domestic Partners of the Mayor, Councillors and the GM</p> <p>Dependents of the Mayor, Councillors and the GM</p> <p>Dependents of a Spouse/Domestic partner of the Mayor, a Councillor or the GM</p> <p>Spouse/Domestic partner of a senior staff member that is a KMP</p> <p>Children of a senior staff member that is a KMP</p> <p>Dependents of a senior staff member that is a KMP</p> <p>Dependents of a Spouse/Domestic partner of a senior staff member that is a KMP</p> <p>Entities that are controlled or jointly controlled by Council , a KMP or their close family member</p>	<p>Senior staff (if they are KMP they are a related party)</p> <p>Other family members of the Councillors, GM and senior staff that are KMP (if the family member may be expected to influence, or be influenced by, that person in their dealings with Council, then they are a related party)</p>

*Disclaimer: This list contains a list of common related parties of Council, however there may still be relationships not identified in this list that will meet the definition of a related party.*

# Appendix 2

**Private and Confidential**  
**Related party Declaration by Key Management Personnel**

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

*(List details of known close family members, entities that are 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 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 fact sheet 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".

Declared at \_\_\_\_\_ on the \_\_\_\_\_

Signature of KMP:  
Full Name of KMP:  
Date:

# Appendix 3

## Related Party Transaction Declaration

[Note: This document is confidential and is not GIPAA-accessible. See Council's Related Party Disclosure Policy]

Name of Key Management Personnel:  
Position of Key Management Personnel:

(a) has previously entered into and which will continue in the (insert relevant financial year eg. 2016/2017 financial year) or  
(b) has entered into, or is reasonably likely to enter into, in the (insert relevant financial year eg. 2016/2017 financial year).

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual's or entity's name)	Related Party's Relationship/Reasons why related	Description of Transaction Documents or Changes to the Related Party Relationship

### Notification

I \_\_\_\_\_ notify that, to the best of my knowledge, information and belief, as at the date of this notification, the above list 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 (insert relevant financial year eg. 2016/2017 financial year).

I make this notification after reading the Privacy Collection Notice provided by Central Darling 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 of me and persons related to me and to use the information for the purposes specified in that policy.

Signature of KMP:  
Full Name of KMP:  
Date: