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# Related Party Disclosure Policy

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## Table of Contents

1. Purpose.....	4
2. Background.....	4
3. Scope .....	4
4. Definitions .....	4
5. References & Associated Documents .....	6
5.1 Relevant legislation .....	6
5.2 Relevant Council Policies.....	6
6. Policy .....	6
6.1 Disclosure .....	6
6.2 Identification and transaction.....	7
6.2.1 Other Sources of Information.....	7
6.3 Reporting.....	8
6.4 Confidentiality.....	8
6.4.1 Permitted Recipients .....	8
6.4.2 Permitted Purposes .....	8
7. Policy History.....	9
8. Reviews.....	9

# 1. Purpose

The Related Party Disclosure Policy aims to assist Council in complying with disclosure requirements concerning key management personnel (includes Councillors), their close family members and entities controlled or jointly controlled by any of them stipulated under the Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities (AASB 124).

# 2. Background

Australian Accounting Standard AASB 124 Related Party Disclosures (AASB 124) requires not-for-profit public sector entities. to disclose related party transactions and outstanding balances in their annual financial statements, in the same way as for-profit public sector and private sector entities.

This means that Council will need to disclose, in their annual financial statements, 'material' transactions and balances outstanding with:

- Key Management Personnel (KMP) – includes Councillors
- Close family members of KMP, and
- Entities controlled/jointly controlled by KMP or their close family members

# 3. Scope

This policy relates only to relationships with persons and entities identified as Related Parties under the definitions provided within this policy. Council will use its judgement in determining when such a relationship exists and whether the information provided requires disclosure

# 4. Definitions

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

**Act** - the 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.

For the purposes of AASB 124, close family members may include extended members of the family (such as, without limitation, parents, siblings, grandparents, uncles, aunts or cousins) if they could be expected to influence, or be influenced, by the KMP in their dealings with Council.

**Council** - Federation Council.

**Entity** - may 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)** - those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. It has been determined that the KMP for Council will comprise:

- Councillors;
- General Manager;
- Directors; and
- Acting KMPs
  - Individuals that are required to temporarily act in KMP role may be subject to the disclosure requirements when:
    - The appointment is for three or more months in the financial year; or
    - If less than 3 months, based on the assessment made by Chief Financial Officer on the person's participation in key decision made in the period.
  - Where an individual has been assessed to be a KMP, they will be required to follow the same process as a permanent KMP would.

**KMP Compensation** - includes all forms of consideration paid, payable, or provided by Council in exchange for services rendered to Council. Compensation may include:

- a) 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;
- b) Post-employment benefits such as pensions, other retirement benefits, post employment life insurance and post-employment medical care;
- c) 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; and
- d) Termination benefits.

**Material (materiality)** - the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or mis-stating it could influence decisions that users make on the basis 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** - a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

**Related Party** - for the purposes of this policy, related parties of Council are:

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

Also a person or entity is a related party of Council if any of the following apply:

- They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- They are an associate or belong to a joint venture of which Council is part of;

- They and Council are joint ventures of the same third party;
- They are part of a joint venture of a third party and council is an associate of the third party;
- They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
- They are controlled or jointly controlled by Close members of the family of a person;
- 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; or
- They or any member of a group of which They are a part, provide KMP services to Council.

**Related Party Transaction** - is a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged.

**Significant (significance)** - 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.

## 5. References & Associated Documents

### 5.1 Relevant legislation

- Local Government Act 1993 and Regulation
- Accounting Standard AASB 124 Related Party Disclosures
- Privacy and Personal Information Protection Act 1998
- Privacy and Personal Information Protection Regulation 2019
- Government Information (Public Access) Act 2009

### 5.2 Relevant Council Policies

- Code of Conduct
- Procurement Policy

## 6. Policy

The Australian Accounting Standards Board (AASB) determined in AASB 124 that from 1 July 2016 related party disclosures will apply to government entities, including local governments (Councils).

### 6.1 Disclosure

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

- disclosure of any related party relationship;
  - must disclose in its 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;
- Key Management Personnel (KMP) compensation disclosures;
  - must disclose in its Annual Financial Statements details for each of the categories of KMP compensation, as stated in the definitions of this Policy, in total.

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

## 6.2 Identification and transaction

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. 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 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 for 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.

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.

The method for identifying the close family 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 and any change to their circumstance which may require disclosure or alter their previous disclosure to Council.

### 6.2.1 Other Sources of Information

To ensure all related party information is captured, Council may review other sources of information held by Council including, but not limited to:

- Minutes of Council and committee meetings
- Council's contracts register

- Council's financial systems and other systems

## 6.3 Reporting

The preferred method of reporting details of Related Parties and Related Party Transactions, is by completing the Related Party Disclosures Data Collection Form, and delivering it to the General Manager.

KMPs must complete the Related Party Disclosures Data Collection Form, notifying any existing or potential Related Party Relationships between Council and any related parties of the KMP, by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this policy
- 30 days after a KMP commences their term or employment with Council
- One (1) month after the end of each financial year

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 General Manager by no later than 30 days after the person knows of the transaction or change.

Should a KMP have any uncertainty as to whether a transaction may constitute a related party transaction they should contact the General Manager.

Information provided will be reviewed in accordance with the Council's operational requirements and held on Council's Electronic Data Management System.

## 6.4 Confidentiality

Collection, storage, use and disclosure of information collected from Related Parties is governed by the Privacy & Personal Information Protection Act 1998 and the associated Regulations. Government Information (Public Access) Act 2009. 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.

### 6.4.1 Permitted Recipients

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 related party transactions for the purpose specified in the permitted purposes section following:

- General Manager;
- Deputy General Manager and Chief Financial Officer;
- Manager Finance
- Council's auditors (including auditors from the NSW Auditor General's Office); and
- Other Officers as delegated by the General Manager

### 6.4.2 Permitted Purposes

A person specified in the Permitted Recipients section may access, use and disclose information (including personal information) in related party disclosure or contained in a register of related party transactions for the following purposes:

- To access and verify a notified related party transaction
- To reconcile identified related party transaction against those notified in related party disclosure or contained in a register of related party transactions



- To comply with the disclosure requirements of AASB 124
- To verify compliance with the disclosure requirements of AASB 124

This policy will be provided to KMP in the initial awareness raising and data collection and as part of KMP inductions including Councillor inductions.

Internal training on supporting this policy shall be scheduled as required.

## 7. Policy History

Version	Date	Changes / Amendments
V1.0	17 April 2018	Adopted (see form at CM 18/29964)
V2.0	12 August 2024	<ul style="list-style-type: none"> <li>• Define when Acting KMPs will be subject to disclosure requirement</li> <li>• Added 'Other Source of Information' to ensure all information are captured</li> <li>• Reinforce confidentiality by introducing 'Permitted Recipients' and 'Permitted Purposes'</li> <li>• Extend review period from 2 to 4 years</li> </ul>

## 8. Reviews

The Related Parties Disclosure Policy will be reviewed every 4 years and as required in the event of legislative change. This policy may also be reviewed when any of the following occur:

- A change of Councillors, General Manager or other KMP;
- A change of corporate restructure;
- The related legislation/documents are amended or replaced;
- Other circumstances as determined from time to time by a resolution of Council; and
- As a result of changes to the OLG Local Government Code of Accounting Practice and Financial Reporting.

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