

**FILE NO:** PSC2009-02488

**TITLE:** RELATED PARTY DISCLOSURES

**POLICY OWNER:** FINANCIAL SERVICES SECTION MANAGER

**1. PURPOSE:**

1.1 The Related Party Disclosure Policy aims to ensure compliance with disclosure requirements concerning key management personnel, 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. CONTEXT/BACKGROUND:**

2.1 The *Local Government Act 1993* section 413, requires Council to prepare its general purpose financial report in compliance with the publications issued by the Australian Accounting Standards Board. AASB 124 comes into effect for annual reporting periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified in AASB 124 regarding related party transactions during the period covered by the financial statements.

2.2 A related party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a related party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Also, transactions between related parties may not be made on the same terms as between unrelated parties.

2.3 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 by users of financial statements, including assessments of the risks and opportunities facing Council, this is the background regarding the release of AASB 124.

**3. SCOPE:**

3.1 This policy applies to related parties of Council including key management personnel and their related party transactions with Council (as defined in the definitions section of this policy).

#### 4. DEFINITIONS:

4.1 An outline of the key definitions of terms included in the policy.

Related party	<p>A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9. Examples of related parties of Council are:</p> <ul style="list-style-type: none"><li>a) key management personnel</li><li>b) close family members of key management personnel</li><li>c) entities that are controlled or jointly controlled by key management personnel or their close family members.</li></ul>
Key management personnel	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are:</p> <ul style="list-style-type: none"><li>a) Mayor</li><li>b) Councillors</li><li>c) General Manager</li><li>d) Group Managers</li><li>e) Section Managers.</li></ul>
Close family members	<p>A close family member includes:</p> <ul style="list-style-type: none"><li>a) that person's children and spouse or domestic partner</li><li>b) children of that person's spouse or domestic partner</li><li>c) dependants of that person or that person's spouse or domestic partner.</li></ul> <p>Close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the key management person in their dealings with Council.</p>
Related party transaction	<p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.</p> <p>Examples of related party transactions are:</p> <ul style="list-style-type: none"><li>a) purchases or sales of goods</li><li>b) purchases or sales of property and other assets</li><li>c) rendering or receiving of services</li></ul>

- d) rendering or receiving of goods
- e) leases
- f) transfers under licence agreements
- g) transfers under finance arrangements (example, loans)
- h) provision of guarantees (given or received)
- i) commitments to do something if a particular event occurs or does not occur in the future
- j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.

Ordinary citizen transactions

Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.

Examples of ordinary citizen transactions assessed to be not material in nature are:

- a) paying rates and utility charges
- b) using Council's public facilities after paying the corresponding fees.

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 the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Key Management Personnel remuneration

Council shall in its annual financial statements disclose key management personnel remuneration (compensation) in total and for each of the following categories:

- a) short-term employee benefits
- b) post-employment benefits
- c) other long-term benefits
- d) termination benefits.

**5. POLICY STATEMENT:**

5.1 Key management personnel (as defined in the definitions section of this policy) must provide a Related Party Transactions Notification in the form set out in **(ATTACHMENT 1)** notifying of any existing related party transactions (as defined in the definitions section of

this policy) 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 Financial Services Section Manager by no later than 15 July for each financial year ended 30 June.

5.2 Some examples of the types of transactions that may need to be captured for analysis to be included in the related party disclosure in Council's annual financial statements are as follows:

5.2.1 From Council:

- a) Grants paid by Council to related parties of Council.
- b) Donations, contributions and assistance paid by Council to related parties of Council.
- c) Charges for goods or services paid to related parties of Council from Council.

5.2.2 To Council:

- a) Fees and charges paid to Council from related parties of Council that are out of the ordinary.
- b) Infrastructure contributions and development application fees paid to Council from related parties of Council.

5.3 Non-monetary transactions between Council and related parties of Council also need to be captured.

5.4 The notification requirements do not apply to:

- a) related party transactions that are ordinary citizen transactions (as defined in the definitions section of this policy) not assessed as being material; and
- b) for Councillors, expenses incurred and facilities provided to a Councillor during the financial year, under Council's Payment of Expenses and Provision of Facilities to Mayor/Councillors Policy.

5.5 Council will disclose the following information in Council's general purpose financial statements:

- a) the nature of the related party relationship
- b) the amount of the transactions
- c) the amount of outstanding balances, including commitments
- d) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement
- e) details of any guarantees given or received
- f) provisions for doubtful debts related to the amount of outstanding balances

- g) the expense recognised during the period in respect of bad or doubtful debts due from
- h) related parties.

## 6. POLICY RESPONSIBILITIES:

- 6.1 Council's key management personnel are responsible for complying with the Related Party Disclosures Policy.
- 6.2 The Financial Services Section Manager is responsible for providing advice regarding the Related Party Disclosures Policy and will make the decision whether a related party transaction is disclosed in Council's financial statements.

## 7. RELATED DOCUMENTS:

- 7.1 *Local Government Act 1993*, section 413.
- 7.2 Australian Accounting Standard AASB 124 Related Party Disclosures.
- 7.3 Australian implementation guidance for not-for-profit public sector entities for AASB 124.

## CONTROLLED DOCUMENT INFORMATION:

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<b>Process owner</b>	Financial Services Section Manager		
<b>Author</b>	Financial Services Section Manager		
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<b>Adoption date</b>	9 May 2017		

**VERSION HISTORY:**

<b>Version</b>	<b>Date</b>	<b>Author</b>	<b>Details</b>	<b>Minute No.</b>
1.0	09/05/2017	Financial Services Section Manager	Original document. Adopted by Council on 9 May 2017.	104
2.0		Financial Services Section Manager	No changes to content of policy. Updated into new template and updated EDRMS Record no. in Version History. Attachment 1 - Change 2016-2017 to 'current'.	



# RELATED PARTY TRANSACTION NOTIFICATION

**This notification is only required to be completed by Key Management Personnel (KMP)**

KMP are person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, KMP of Council are:

- a) Mayor
- b) Councillors
- c) General Manager
- d) Group Managers
- e) Section Managers

NAME OF THE KEY MANAGEMENT PERSONNEL	ROLE/POSITION OF THE KEY MANAGEMENT PERSONNEL

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 ~~2016-2017~~ **current** financial year; or
- b) has entered into in the ~~2016-2017~~ **current** financial year.

<b>Related Party's Name (Individual's or entity's name)</b>	<b>Related Party's Relationship/ Reasons why related</b>	<b>Description of Related Party Transaction</b>
	<p>A person or entity that is related to Council pursuant to the definition contained in AASB 124, paragraph 9.</p> <p>Examples of related parties of Council are:</p> <ul style="list-style-type: none"> <li>a) key management personnel;</li> <li>b) close family members of key management personnel;</li> <li>c) entities that are controlled or jointly controlled by key management personnel or their close family members.</li> </ul>	<p>A related party transaction is a transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged. Examples of related party transactions are:</p> <ul style="list-style-type: none"> <li>a) purchases or sales of goods;</li> <li>b) purchases or sales of property and other assets;</li> <li>c) rendering or receiving of services;</li> <li>d) rendering or receiving of goods;</li> <li>e) leases;</li> <li>f) transfers under licence agreements;</li> <li>g) transfers under finance arrangements (example, loans);</li> <li>h) provision of guarantees (given or received);</li> <li>i) commitments to do something if a particular event occurs or does not occur in the future;</li> <li>j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.</li> </ul> <p>The notification requirements do not apply to:</p> <ul style="list-style-type: none"> <li>a) related party transactions that are ordinary citizen transactions not assessed as being material and</li> <li>b) for councillors, expenses incurred and facilities provided to a councillor during the financial year, under Council's Payment of Expenses and Provision of Facilities to Mayor/Councillors Policy.</li> </ul>




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 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 ~~2016-2017~~ **current** financial year.

I make this notification after reading the Related Party Transactions Policy.

I permit the use the information for the purposes specified in the Related Party Transactions Policy.

**SIGNATURE OF THE NAMED KMP:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**This notification is due by 15 July, please send completed notification to the Financial Services Section Manager.**