

LEADERSHIP

OUR LEADERSHIP IS BASED ON MUTUAL TRUST TO FOSTER AND EMBODY VALUES OF RESPECT, RESPONSIBILITY, INTEGRITY AND ETHICAL GOVERNANCE

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Related Policies/Legislation:	AASB 124 – Related Party Disclosures Government Information (Public Access) Act 2009 Public Interest Disclosures Act 1994 Privacy and Personal Information Protection Act 1998 Wingecarribee Shire Council Public Interest Disclosures Policy

OBJECTIVES

The objective 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*.

POLICY STATEMENT

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

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



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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.

To enable Council to comply with AASB 124, Council's key management personnel are required to declare full details of any related party transactions that are not otherwise defined in this policy as a non-material ordinary citizen transaction. Such information will be retained and reported, where necessary, in Council's annual financial statements.

Related Parties

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

- entities related to Council;
- key management personnel of Council;
- close family members of key management personnel; and
- entities or persons that are controlled or jointly controlled by key management personnel, or their 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;



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- they are identified as a close member of the family of a person with significant influence over Council or a close member of the family of a person who is a key management person of Council; or
- they or any member of a group of which they are a part, provide key management personnel services to Council.

Entities related to Council

Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties. If an entity holds, directly or indirectly (for example, through subsidiaries), 20% or more of the voting power, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case.

The existence of significant influence by Council is usually evidenced in one or more of the following ways:

- representation on the board of directors or equivalent governing body of the investee;
- participation in policy-making processes, including participation in decisions about dividends or other distributions;
- material transactions between the entity and its investee;
- interchange of managerial personnel; or
- provision of essential technical information.

Council will identify transactions with these entities and may need to make extra disclosure about them in Council's annual financial statements.

Related Party Transactions

Related party transactions (excluding non-material ordinary citizen transactions) are required to be disclosed, regardless of whether a price is charged. Such transactions may include:

- purchase or sale of goods (finished or unfinished);
- purchase or sale of property and other assets;
- rendering or receiving services;
- leases;
- transfers of research and development;
- transfers under licence agreements;
- transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- provision of guarantees or collateral;



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- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised);
- quotations and/or tenders;
- commitments; and
- settlements of liabilities on behalf of Council or by Council on behalf of the related party.

Key management personnel compensation is also required to be disclosed, on an aggregate basis only.

Transactions with related parties will be identified through Council's finance systems and/or notified to Council by key management personnel.

Disclosure Requirements

AASB 124 provides that Council must disclose all material and significant related party transactions in its annual financial statements by aggregate or general description and include the following detail:

- the nature of the related party relationship; and
- relevant information about the transactions including:
 - the amount of the transaction;
 - 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 the settlement; and
 - details of any guarantee given or received;
 - provision 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.

When assessing whether such transactions are significant, the closeness of the related party relationship shall be considered as will other factors relevant in establishing the level of significance of the transaction such as whether it is:

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day Council operations;
- disclosed to regulatory or supervisory authorities;
- reported to senior management;
- subject to Council approval.



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Regard must also be given to transactions that are collectively but not individually significant.

Disclosures that related party transactions were made on terms equivalent to an arm's length transaction can only be made if such terms can be substantiated.

Prior to preparing the disclosure in the council's annual financial statements all related party transactions should be assessed for materiality. Transactions that are not considered material will not need to be disclosed.

Identifying Related Party Transactions with Key Management Personnel and their Close Family Members

The method for identifying the close family members and associated entities of key management personnel will be by self-assessment. All key management personnel are responsible for self-assessing their own related parties on at least an annual basis. Key management personnel are responsible for informing the General Manager when any changes to those related parties occur outside of those times. The self-assessment will be recorded on the prescribed Related Party Declaration Form (RPD Form).

The completed RPD Form must be provided to the General Manager by no later than the following periods during a financial year (the specified notification period):

- 30 days after the commencement of the application of this policy;
- 30 days after a key management person commences their term of employment with Council;
- 30 days after there is a change to the close family members and associated entities of key management personnel;
- 30 June.

If it is brought to Council's attention that any related party of a key management person has not been declared, an immediate review will be triggered, and the affected key management person will be required to review their existing declaration.

Key management personnel must also complete a Related Party Transactions Notification (RPT Notification) using the prescribed form, notifying any 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. This notification requirement does not apply to ordinary citizen transactions which are not material, or to key management personnel compensation which will be captured separately by Finance staff.

The completed RPT Notification must be provided to the General Manager by no later than 30 June, for related party transactions during that financial year.



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At least 30 days before a specified notification period, the Group Manager Corporate and Community will provide key management personnel with a RPD Form and/or RPT Notification, as applicable.

Registers of Related Parties and Related Party Transactions

The Group Manager Corporate and Community will maintain a register of existing key management personnel related party declarations.

The Group Manager Corporate and Community will also maintain and keep up-to-date a register of related party transactions that captures and records the specified information for each existing or potential related party transaction during a financial year.

The contents of the register of related party transactions must detail for each related party transaction:

- the description of the related party transaction;
- the name of the related party;
- the nature of the related party's relationship with Council;
- whether the notified related party transaction is existing or potential;
- a description of the transactional documents the subject of the related party transaction; and
- the information specified in this policy under the heading *Disclosure Requirements*.

Privacy

Information provided by key management personnel and other related parties shall be held by Council for the purpose of compliance with Council's legal obligations under AASB 124 and shall be otherwise disclosed only where required by the *Government Information (Public Access) Act 2009* and *Privacy and Personal Information Protection Act 1998*.

Affected parties are entitled to access their personal information held by Council. They can also request that Council amends their personal information to ensure that it is accurate and, with regard to the purpose for which the information was collected, is relevant, up-to-date, complete and not misleading.



Public Interest Disclosures

It is the responsibility of relevant Council staff – including key management personnel – to adhere to this policy so as to ensure Council meets its legal obligations under AASB 124. Any Council staff member who knows or reasonably suspects that the policy is not being complied with should report that as soon as possible after they are aware of it, in accordance with Council's Public Interest Disclosures Policy.

The Public Interest Disclosures Act 1994 provides protection for people who make a public interest disclosure by imposing penalties on anyone who takes detrimental action against another person that is substantially in reprisal for that person making a public interest disclosure.

Members of the public are likewise encouraged to report known or reasonably suspected non-compliance with this policy in accordance with the Public Interest Disclosures Policy.

Review

This policy will be reviewed periodically every two years from the date of adoption and whenever any of the following events occur:

- a corporate restructure occurs impacting key management personnel;
- relevant legislation or policy is amended or replaced;
- other circumstances as determined from time to time by a resolution of Council; or
- changes to the Local Government Code of Accounting Practice and Financial Reporting.

SCOPE

This policy applies to related parties of Council and related party transactions with Council, as defined within this policy.

DEFINITIONS

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

Arm's 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. That is, the transaction is consistent with what would result from:



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- neither party bearing the other any special duty or obligation;
- the parties being unrelated and uninfluenced by the other; and
- each party having acted in its own interest.

Close members of the family of a person – in relation to a key management person, those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council, including:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that person's spouse or domestic partner.

For the purpose of AASB124, 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.

Control – the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control of an entity is present when there is:

- power over the entity;
- exposure or rights to variable returns from involvement with the entity; and
- the ability to use power over the entity to affect the amount of returns received.

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

Executory contracts – contracts under which neither party has performed any of its obligations or both parties have partially performed their obligations to an equal extent.

Joint control – the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Key management personnel – those persons having authority and responsibility for planning, directing and controlling the activities of Council, either directly or indirectly. Specifically, key management personnel of Council are:

- Councillors (including the Mayor and Deputy Mayor);
- General Manager;
- Deputy General Managers;
- Group Managers; and
- Chief Financial Officer.



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Key management personnel compensation – all forms of consideration paid, payable, or provided in exchange for services provided, and including:

- 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;
- post-employment benefits such as pensions, other retirement benefits, postemployment 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; and
- termination benefits.

Material (materiality) – means the assessment of whether omitting or misstating the transaction, either individually or in aggregate with other transactions, could influence decisions that users make on the basis of Council's financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

Ordinary citizen transaction – a transaction that an ordinary citizen would undertake with Council, which is undertaken on an arm's length basis and in the ordinary course of carrying out Council's functions and activities. For the purpose of this policy, any ordinary citizen transaction where the aggregate amount involved will be expected to exceed \$10,000 in any financial year is considered to be material and will be disclosed in the annual financial statements.

With regard to key management personnel and their close family members, examples of ordinary citizen transactions assessed as unlikely to be material in nature (unless the aggregate amount exceeds \$10,000 in a financial year) include:

- paying rates and utility charges;
- parking fees at rates available to the general public;
- paying fines on normal terms and conditions;
- pet registration fees; and
- using Council's public facilities after paying the corresponding fees or where those facilities are available to members of the public for free.

Transactions which are not to be considered ordinary citizen transactions include:

- infrastructure charges;



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- lease agreements;
- awarding of contracts; and
- the purchase of goods, regardless of conditions.

Related party – defined in the Policy Statement.

Related party transaction – a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged. For the purpose of AASB 124, transactions with related parties of Council which are non-material ordinary citizen transactions will not be captured or reported on.

RESPONSIBILITIES

Responsibilities for implementing this policy are shared between Councillors, Executive and relevant staff as follows:

Councillors, Executive and Group Managers

- Comply with this policy by identifying and self-reporting details of related parties and related party transactions to the Chief Financial Officer.

Group Manager Corporate and Community

- Provide advice and assistance to Councillors, Executive and Group Managers in relation to this policy.
- Maintain a register for each of related party declarations and related party transactions.

Chief Financial Officer

- Disclose all material and significant related party transactions in Council's annual financial statements as stipulated by AASB 124.

PERFORMANCE MEASURES

The success of this policy will be demonstrated by:

- Councillors, Executive, Group Managers and the Chief Financial Officer adhering to the related party disclosure requirements as set out in this policy.
- Councillors, Executive, Group Managers and the Chief Financial Officer receiving advice enabling them to accurately identify and self-report related parties and related party transactions.



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- Relevant information about related party transactions being disclosed in Council's annual financial statements.

APPROVED BY:

WINGECARRIBEE SHIRE COUNCIL

14 June 2017

