

Related Party Disclosure Policy

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Notes	

POLICY

PURPOSE

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*.

BACKGROUND AND RELATED LEGISLATION

- Australian Accounting Standard AASB 124 - Related Party Disclosures.
- Code of Accounting Practice and Financial Reporting (Update 25) General Purpose Financial Statements – Note 28

SCOPE

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

DEFINITIONS

To assist in interpretation, the following definitions apply:

Term	Definition
AASB 124	The Australian Accounting Standards Board, Related Party Disclosures Standard.
Close members of the family of a person	<p>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:</p> <ul style="list-style-type: none">• 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. <p>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.</p>
Control	<p>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:</p> <ul style="list-style-type: none">• 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	Includes a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.
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: <ul style="list-style-type: none"> • Councillors (including the Mayor and Deputy Mayor); • General Manager; • Directors
Key management personnel compensation	All forms of consideration paid, payable, or provided in exchange for services provided, and including: <ul style="list-style-type: none"> • 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.
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. With regard to key management personnel and their close family members, examples of ordinary citizen transactions assessed as unlikely to be material in nature include: <ul style="list-style-type: none"> • 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.

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

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 may refrain from trading with Council because of the significant influence of another.

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.

AASB 124 requires the relationship between Council and any subsidiary be disclosed irrespective of whether there have been transactions between them. AASB 124 provides that Council must disclose the nature of the related party relationship as well as information about those transactions and outstanding balances including commitments, in its financial statements necessary for users to understand the potential effect of the relationship on the financial statements.

To enable Council to comply with AASB 124, Council's key management personnel are required to declare full details of any related party transactions, other than those 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

A **related party** is a person or entity that is related to Council.

- (a) A person or a close member of that person's family is related to Council if that person:
 - i. Has control or joint control of Council
 - ii. Has significant influence over Council
 - iii. Is a member of the key management personnel of Council
- (b) An entity is related to Council if any of the following conditions apply:
 - i. The entity and Council are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

- ii. The entity is an associate or joint venture of Council (or an associate or joint venture of a member of a group of which Council is a member);
- iii. The entity is a joint ventures of a third entity and Council is an associate of the third entity;
- iv. The entity is a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
- v. The entity is controlled or jointly controlled by a person identified in (a) above;
- vi. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- vii. The entity, or any member of a group of which it is a part, provides 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.

Where the relationship is determined to be that of parent and subsidiary, the relationship will be disclosed irrespective of whether there have been transactions between Council and the entity. Otherwise Council will identify transactions with such entities and these may give rise to extra disclosure in Council's annual financial statements.

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

Disclosure of Related Party Transactions

- A. Subject to C below, related party transactions will be disclosed regardless of whether a price is charged.
- B. The following are examples of transactions that are disclosed if they are with a related party:
 - (a) purchase or sale of goods (finished or unfinished);

- (b) purchase or sale of property and other assets;
- (c) rendering or receiving services;
- (d) leases;
- (e) transfers of research and development;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
- (h) provision of guarantees or collateral;
- (i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised) and;
- (j) settlements of liabilities on behalf of the entity or by entity on behalf of the related party.

C. Disclosure of related party transactions that are ordinary citizen transactions or are assessed by Council to be not material for disclosure in Council's general purpose financial statements will not be disclosed.

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

Transactions with related parties will be identified through self-assessment to be notified to Council by key management personnel.

Materiality (Material)

Whether a related party transaction is material and therefore to be disclosed in Council's general purpose financial statements is an assessment which will be undertaken by Council.

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. A transaction may be material by either size or nature.

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

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

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

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.

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;
- 31 January and 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 effected 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 (eg Councillor X uses Council's public swimming pool throughout the summer and pays the standard entry fee to access the facility is an ordinary citizen transaction).

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.

At least 30 days before a specified notification period, the Manager Governance and Risk Services will provide key management personnel with a RPD Form and/or RPT Notification, as applicable. These forms will also be provided at the end of each month throughout the year to allow the KMP to cumulatively complete the annual return.

Registers of Related Parties and Related Party Transactions

The Manager Governance and Risk Services will maintain a register of existing key management personnel related party declarations.

The Manager Governance and Risk Services 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.

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.

RESPONSIBILITIES

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

Councillors, Executive and Relevant Managers

- Comply with this policy by identifying and self-reporting details of related parties and related party transactions to the Manager Governance and Risk Services.

Manager Governance and Risk Services

- Provide advice and assistance to Councillors, Executive and Relevant Managers in relation to this policy. It should be noted that holders of Key Management Positions as defined in this policy, may consider obtaining independent legal advice in the completion of the required disclosures
- Maintain a register for each of related party declarations and related party transactions.

Manager Financial Operations

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

RELATED DOCUMENTS

- Related Party Declaration Form
- Related Party Transactions Notification by Key Management Personnel

**KEY MANAGEMENT PERSONNEL
Related Party Declaration
2016/2017**



Private and Confidential	
Related Party Declaration by Key Management Personnel (KMP)	
Name of Key Management Person:	
Position of Key Management Person:	
<p>List details of close family member, entities that are controlled/jointly controlled by you and entities that are controlled/jointly controlled by close family members</p> <p><i>(Please refer to definitions in Related Party Disclosures Policy and consider the additional guidance provided in the Related Party Disclosures Information Sheet for KMP)</i></p>	
<u>Name of person or entity</u>	<u>Relationship</u>
<p>I <i>(insert full name)</i>, <i>(insert position)</i> declare that 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 Council’s Related Party Disclosures Policy which details the meaning of the words ‘close family members’ and ‘entities controlled, or jointly controlled, by myself or my close family members’.</p>	
Declared at:	<i>(insert place)</i>
on the	<i>(insert date)</i>
Signature of KMP:	

**RELATED PARTY TRANSACTIONS
NOTIFICATION BY
KEY MANAGEMENT PERSONNEL**



Name of Key Management Person: _____

Position of Key Management Person: _____

Please read the Related Party Disclosure Policy which explains what a related party transaction is and the purposes for which Council is collecting, and will use and disclose, the related party information provided by you in this notification.

Please Complete either Section 1 or Section 2

Section 1 (Please tick if applicable)

No related party transactions have been carried out in the past 6 month period and I am not aware of any related party transactions anticipated in the future.

Section 2

Please complete the table attached 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 future, or
- b) has entered into, or is reasonably likely to enter into, in the future.

Notification

I, (Name) _____, (Position) _____ notify that, to the best of my knowledge, information and belief, as at the date of this notification, the above list and attachments, if any, 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 reporting period.

I make this notification after reading the Related Party Disclosure Policy provided by Dubbo Regional 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 access to this information for the purpose of compliance with Council’s legal obligations and disclosure.

Signature: _____

Date: _____

