



**GEORGES
RIVER
COUNCIL**

**RELATED PARTY
DISCLOSURES POLICY**

September 2017

POLICY ADMINISTRATION

Dates	Policy approved 04/09/2017 This policy is effective upon its approval. Policy is due for review September 2021.
Approved by	Council Meeting 04/09/2017 Council Resolution CCL197-17
Exhibition Period	N/A
Policy Owner	Chief Financial Officer / Manager Governance and Risk Management, Office of the Chief Operating Officer
Related Documents	Georges River Council Code of Conduct George River Council Mayor and Councillors Expenses and Facilities Policy Georges River Council Privacy Management Plan Georges River Council Access to Information Policy
Appendices	Appendix A – Related Party Disclosure by Key Management Personnel Attachment B – Privacy Collection Notice
References & Legislation	Accounting Standard AASB 124 – Related Party Disclosures Local Government Act 1993 Local Government (General) Regulation 2005 Privacy and Personal Information Protection Act 1998 Government Information (Public Access) Act 2009 Treasury Circular TC16-12 Related Party Disclosures NSW Treasury: Frequently Asked Questions – Implementing AASB 124 Related Party Disclosures (AASB 124)
Document Identifier	Policy #: Pol-029.01 Doc #: D17/141096
Breaches of Policy	Breaches of any policy will be dealt with and responded to in accordance with adopted codes and/or relevant legislation.
Record Keeping	All documents and information obtained in relation to the implementation of this policy will be kept in accordance with the NSW State Records Act 1998, Georges River Council's Corporate Records Policy and adopted internal procedures.

PURPOSE

The purpose of this policy is to ensure that Council's General Purpose Financial Statements comply with the disclosure requirements under the Australian Accounting Standard AASB 124 *Related Party Disclosures*. These disclosures draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances with such parties.

SCOPE

This policy applies to Related Parties of Council and Related Party Transactions with Council, as defined within the policy.

The following are not within the scope of this policy:

- Transactions with Related Parties of Council which are Ordinary Citizen Transactions and not assessed as material in nature.
- Expenses incurred and facilities provided to a Councillor during the financial year under Council's Payment of Expenses and Provision of Facilities to the Mayor and Councillors Policy, the particulars of which are contained in Council's Annual Report pursuant to the Local Government (General) Regulation 2005, clause 217.
- Other disclosures as required under the Code of Conduct, including disclosures relating to Conflicts of Interest (Pecuniary and Non-Pecuniary) and Gifts and Benefits and also as required under the Local Government Act 1993, such as pecuniary interest disclosure returns.

DEFINITION OF TERMS

Term	Meaning
<i>AASB 124</i>	The Australian Accounting Standards Board, Related Party Disclosures Standard.
<i>Associate</i>	An entity over which Council or a KMP can exert significant influence.
<i>Arm's length transaction</i>	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: <ul style="list-style-type: none">• 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.
<i>Close family members or close members of the family</i>	In relation to Key Management Personnel (KMP), those family members who may be expected to influence, or be influenced by that person in their dealings with the Council, including: <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

	<ul style="list-style-type: none"> • Dependants of that person or that person's spouse or domestic partner. <p>For the purposes of AASB 124, close family members could include extended family members (such as parents, siblings, grandparents, cousins etc) <i>if</i> the family member could be expected to influence, or be influenced by, the KMP in their dealings with Council.</p>
<i>Control</i>	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> • Power to direct the entity; and • 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 as determined in accordance with AASB 10 Consolidated Financial Statements Paragraphs 5 to 18, Appendices A (Defined Terms) and B (Application Guidance).
<i>GIPA Act</i>	Government Information (Public Access) Act 2009
<i>Joint Control</i>	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. (AASB 11).
<i>Joint Venture</i>	An arrangement of which two or more parties have joint control and have a defined right to the net assets of the arrangement. (AASB 128)
<i>KMP (Key Management Personnel)</i>	<p>Those persons having authority and responsibility for planning, directing and controlling the activities of Council, either directly or indirectly. Specifically, KMP of Council are:</p> <ul style="list-style-type: none"> • Mayor • Councillors • General Manager • Directors
<i>Material (materiality)</i>	Information is material to General Purpose Financial Statements if it 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 omission or misstatement should be considered individually and collectively.
<i>Ordinary Citizen Transaction</i>	<p>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.</p> <p>Such transactions may include paying rates and utility charges, paying fines, accessing Council services (e.g. libraries) and any other transaction occurring during the course of delivering Council's public service objectives which occur on no different terms to that of the general public.</p>
<i>Related Party</i>	A person or entity that is related to Council.

	<p>Council's related parties are:</p> <ul style="list-style-type: none"> • Entities related to Council, such as subsidiaries, Joint Ventures and Associates • KMP of Council • Close family members of KMP • Entities controlled or jointly controlled by KMP or their close family members.
<i>Related Party Transaction</i>	<p>A transfer of resources, services or obligations between Council and a Related Party, regardless of whether a price is charged.(AASB 124.9)</p> <p>The types of transactions that may be disclosed if they are with a Related Party include:</p> <ul style="list-style-type: none"> • Purchases or sales of goods / services / property / other assets • Leases • Commitments

POLICY STATEMENT

1. General Principles

1.1 Council is committed to complying with the disclosure requirements for Related Party Transactions under AASB 124. Disclosure of relevant Related Party information will provide greater transparency and improve the quality of the financial reporting process.

1.2 In accordance with AASB 124, Council will disclose all material and significant Related Party Transactions and outstanding balances, including commitments, in its annual General Purpose Financial Statements for annual reporting periods beginning on or after 1 July 2017.

2. Disclosures of Related Party Transactions

2.1 Transactions with entities related to Council will be identified by the Responsible Accounting Officer through Council's finance systems.

2.2 Transactions with KMP, their close family members or entities controlled or jointly controlled by KMP or their close family members will be identified by the KMP by self-assessment using the Related Party Disclosure Form (Attachment A).

2.2.1 Disclosures will be required **annually** as at **30 June each year**.

Disclosures will also be required no later than the following periods during a financial year:

- 30 days after a KMP commences their term or employment with Council;
- 30 days before a KMP ceases their term or employment with Council;

- 30 days after there is a change to the close family members and / or associated entities of key management personnel; and
- 30 June each year

3. Ordinary Citizen Transactions

3.1 Council has determined that Ordinary Citizen Transactions which occur during the course of delivering its public service objectives are not material for disclosure in its General Purpose Financial Statements and accordingly need not be disclosed.

3.2 As a general rule Council will utilise an aggregate of \$10,000 as the threshold for materiality in any financial year. The following factors may also be taken into consideration:

- 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?

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

3.4 KMP should therefore disclose all transactions so that Council is able to review for materiality.

4. Disclosures in Financial Statements

4.1 Council will disclose:

4.1.1 Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them.

4.1.2 KMP compensation in total and for each of the following categories:

- a) Short-term employee benefits
- b) Post-employment benefits
- c) Other long term benefits, and
- d) Termination benefits.

4.1.3 Where Related Party Transactions have occurred:

- a) the nature of the Related Party relationship; and
- b) the amount of the transaction;
- c) the amount of outstanding balances, including commitments, and
 - i. their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and

- ii. details of any guarantee given or received;
- d) provision for doubtful debts related to the amount of outstanding balances; and
- e) the expense recognised during the period in respect of bad or doubtful debts due from Related Parties.

4.2 The disclosures required under AASB 124 above will be made separately for each of the following:

- KMP of Council, and
- Other Related Parties including:
 - a) A close family member of a KMP of Council;
 - b) Entities controlled or jointly controlled by a close family member of a KMP; and
- Council subsidiaries; and
- Entities which are associates of Council or of a Council subsidiary with joint control or significant influence over the entity; and
- Joint ventures in which Council or a Council subsidiary is a joint venture partner

4.3 For each category specified in section 4.2, Council will disclose information specified in section 4.1.3 for Related Party Transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the General Purpose Financial Statements of Council, having regard to:

- a) The nature of the Related Party relationship;
- b) The significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
- c) Whether the transaction is carried out on non-arm's length terms;
- d) Whether the nature of the transaction is outside normal day to day business operations,

based on the factors and thresholds determined by the Responsible Accounting Officer in consultation with Council's external auditor.

5. Register of KMP Declarations and Related Party Transactions

5.1 Council will maintain:

- A Register of KMP Related Party Declarations; and
- A Register of Related Party Transactions.

5.2 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
- other information required to meet the reporting requirements under AASB 124.

6. Information Privacy

6.1 Information provided by KMP and other Related Parties shall be held by Council for the purpose of compliance with Council's legal obligations under AASB 124. Any requests for information made under an Access to Information application will be managed in accordance with the GIPA Act and the Privacy and Personal Information Protection Act 1998 as well as Council's Access to Information Policy and Privacy Management Plan. Each situation will be assessed on a case by case basis, and the public interest test applied to determine whether information is to be released. Council will use reasonable endeavours to consult with the relevant KMP before providing access to information relating to them or their Close Family Member in order to ascertain whether they have an objection to disclosure of some or all of the information.

6.2 The following persons are permitted to access, use and disclose the information (including personal information) provided in a KMP Related Party Disclosure form or contained in a Register of Related Party Transactions for the purposes of 6.3:

- KMP for information about themselves or their Close Family Members.
- Officers of Council's Governance department responsible for receiving related party information
- Officers of Council's Finance department responsible for maintaining related party information and preparation of financial reporting;
- Members of Council's Audit, Risk and Improvement Committee;
- An auditor of Council.

6.3A person specified in 6.2 above may access, use and disclose information (including personal information) in a Related Party Disclosure or contained in a register of Related Party Transactions for the following purposes:

- To assess and verify a Related Party Transaction;
- To reconcile identified Related Party Transactions against those notified in a Related Party Disclosure or contained in a register of Related Party Transactions
- To comply with the disclosure requirements of the AASB 124;
- To verify compliance with the disclosure requirements of the AASB 124.

RESPONSIBILITIES

Position	Responsibility
<i>Key Management Personnel</i>	<p>Is responsible for:</p> <ul style="list-style-type: none"> Identifying their Related Party Relationships and notifying any Related Party Transactions to Council by self-assessment using the Related Party Disclosure Form. Self-assessment will be undertaken at least annually.
<i>Responsible Accounting Officer</i>	<p>Is responsible for:</p> <ul style="list-style-type: none"> Identifying entities related to Council including subsidiaries, Associates and Joint Ventures. Investigating through Council's business systems whether any identified Council subsidiaries, Associates or Joint Ventures have an existing Related Party Transaction with Council. Receiving KMP disclosures and verifying that they are complete and accurate for financial reporting purposes. This may involve further investigation through Council's business systems. Maintaining 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. Assessing all related party transactions for materiality. Making relevant disclosures in Council's General Purpose Financial Statements. Advising KMP regarding application of this policy
<i>Manager Governance and Risk Management</i>	<p>Is responsible for:</p> <ul style="list-style-type: none"> Issuing the Related Party Disclosure Form to KMP (other than Councillors) on at least an annual basis as required in accordance with this policy. Maintaining a register of Related Party Disclosure for all KMP's other than Councillors. Advising KMP regarding application of this policy.
<i>Executive Manager Office of the General Manager</i>	<p>Is responsible for:</p> <ul style="list-style-type: none"> Issuing the Related Party Disclosure Form to Councillors upon commencement of term in office and also on an annual basis as required in accordance with this policy. Maintaining a register of Councillor Related Party Disclosure. Advising KMP regarding application of this policy.

VERSION CONTROL AND CHANGE HISTORY

Version	Amendment Details	Policy Owner	Period Active
1.0	<i>Complete new Georges River Council Related Party Disclosures Policy</i>	<i>Chief Financial Officer / Manager Governance and Risk Management</i>	<i>Xx/xx/xxxx</i>

ATTACHMENT A

Related Party Disclosure by Key Management Personnel

Name of Key Management Personnel: _____

Position of KMP: _____

Please read the Privacy Collection Notice provided with this notification, which explains what is a related party transaction 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 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 **##insert relevant financial year Eg. 2017/2018##** financial year; or
- (b) has entered into, or is reasonably likely to enter into, in the **##insert relevant financial year Eg. 2017/2018##** financial year.

Related Party's Name (Individual's or entity's name)	Related Party's Relationship/ Reasons why related	Description of Related Party Transaction	Dollar/Equivalent Value \$	Is transaction existing/potential?	Description of Transaction Documents

Related Party's Name (Individual's or entity's name)	Related Party's Relationship/ Reasons why related	Description of Related Party Transaction	Dollar/Equivalent Value \$	Is transaction existing/potential?	Description of Transaction Documents

I _____, _____ notify that, to the best of my knowledge, information and belief,

(Full name)

(Position)

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. 2017/2018##** financial year.

I make this notification after reading the Privacy Collection Notice provided by Georges River 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.

ATTACHMENT B

PRIVACY COLLECTION NOTICE

RELATED PARTY DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2017, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its General Purpose Financial Statements, in order to comply with Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124).

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the General Purpose Financial Statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

For more information about Council's disclosure requirements under AASB 124, please refer to Council's Related Party Disclosure Policy.

Who are Related Parties?

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between Council and any of the related parties, whether monetary or not.

Who are KMP's?

KMPs are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly.

For Council, KMPs have been defined as:

- Mayor;
- Councillors;
- General Manager; and
- Directors

Who are close family members of KMP?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include:

- 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.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

The following table may assist you in identifying your close family members:

Definitely a close family	Maybe a close family member
Your spouse/domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your dependants	Your parents and grandparents, if they could be expected to influence, or be influenced by, you in their dealings with Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be expected to influence, or be influenced by, you in their dealings with Council
Dependants of your spouse/domestic partner	Any other member of your family if they could be expected to influence, or be influenced, by you in their dealings with Council

What is a Related Party Transaction?

A Related Party Transaction is defined as:

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

The policy outlines that there are some transactions with Related Parties that do not need to be reported. These are Ordinary Citizen Transactions, undertaken on an arms-length basis and in the ordinary course of carrying out Council's functions and activities.

For example, if you were to walk your dog in a council owned park that would be a Related Party Transaction. However, it is unlikely that users of the financial statements would be

interested in this transaction, and so the policy establishes that only material ordinary citizen transactions need to be disclosed.

As a general rule Council will utilise an aggregate of \$10,000 as the threshold for materiality in any financial year. The following factors may also be taken into consideration:

- 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 to transactions that are collectively but not individually significant.

KMP should therefore disclose all transactions so that Council is able to review for materiality.

Example 8 (Ordinary citizen transactions)

Employee A is a member of the key management personnel of a Council. The Council's functions include raising revenue to fund its functions and activities, and planning for and providing services and facilities (including infrastructure) for the local community. In carrying out its functions, the Council undertakes a wide range of activities including the imposition of rates and charges upon constituents, and the provision without charge of services such as parks and roads.

Employee A is a ratepayer residing within the Council's constituency. As such, Employee A takes advantage of the availability of free public access to local parks and libraries. Employee A also used the swimming pool at the Council's Recreation Centre twice during the financial year, paying the casual entry fee applicable to the general public each time. The recreation centre has approximately 20,000 visitors each financial year.

All of the transactions described above between the Council and Employee A are related party transactions of the Council; however, they are not considered to be material in size or nature and therefore do not need to be disclosed.

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

- power to control decision making in the entity;
- exposure, or rights, to variable returns from your involvement with the entity; and

- the ability to use your power over the entity to affect the amount of your returns. 1

Example of Control

Councillor Z is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights.

Councillor Z controls the company because he has the power to affect the company's decisions and the return that he will receive from the company.

Councillor Z will need to include the company on his related party disclosure.

Joint control

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the entity's relevant activities require the unanimous consent of the parties sharing control.

Example of joint control

Councillor Z is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Councillor Z's brother Stan owns the other 50% of the ordinary shares. Councillor Z and Stan are the only Directors of the company and have equal voting rights on the board.

Councillor Z and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Councillor Z will need to include the company on his related party disclosure and the entity's related party relationship with Councillor Z and Stan.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Manager Governance and Risk of any related party relationships and existing or potential related party transactions between Council and any of the KMP's related parties during a financial year.

To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the Manager Governance and Risk for the period end 30 June.

Declarations will also be required within 30 days of the occurrence of the following events:

- after a key management person commences their term or employment with Council;
- after a key management person ceases their term or employment with Council
- after there is a change to the close family members and associated entities of key management personnel.

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with disclosure requirements under the Code of Conduct (i.e. disclosures relating to Conflicts of Interest (Pecuniary and Non Pecuniary) and Gifts and Benefits).

This includes disclosures relating to Conflicts of Interest (Pecuniary and Non Pecuniary) and Gifts and Benefits. Council's Auditors may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.