

Related Party Disclosures Policy

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Policy Amendments

Date	Responsible Officer	Description
20 June 2017	Executive Manager, Waverley Corporate, Financial Waverley	1 st version adopted by Council 20 June 2017
20 June 2018	Executive Manager, Waverley Corporate, Financial Waverley	General revision, no change to the current version.

Contents

1.	Background	3
2.	Definitions	3
3.	Objective	6
4.	Scope	6
5.	Policy Content:	
	5.1 Policy Introduction	6
	5.2 Related Parties of Council	7
	5.3 Related Entities	7
	5.4 Key Management Personnel	7
	5.5 Council Disclosure	9
	5.6 Materiality	9
	5.7 Related Party and Key Management Personnel Disclosure	10
	5.8 Higher Duties	10
	5.9 Register of Related Party Transactions	11
	5.10 Information Privacy	11
6.	Applicable Legislation	11
7.	Related Policies and Procedures	11
8.	Links to the Delivery Program and Operational Plan	11
9.	Review details	12

Attachment:

1	Checklist for Key Management Personnel	13
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1. Background

From 1 July 2016, in accordance with the Accounting Standard *AASB 124*, Council is required to disclose Related Party Relationships and Transactions by identifying Key Management Personnel (KMP) and any related compensation in its Annual Financial Statements. The Standard *AASB 124* came into effect from 1 July 2016 and the responsibilities of KMP and commence from this date.

Related Party Relationships are a normal feature of commerce and business and can affect the profit or loss and financial position of an entity. *AASB 124* contains disclosure requirements to enable users of financial statements to form a view about the effects of related party relationships on an entity's financial position, income statement and cash flows.

It is important to emphasise that *AASB 124* Related Party Disclosures (*AASB 124*) is not designed to detect and report fraud.

Under *AASB 124* there are two types of related parties:

1. KMP
2. Other related parties

2. Definitions

Term	Meaning
AASB 10	The Australian Accounting Standards Board – Consolidated Financial Statements – details the criteria for determining whether Council has significant influence over an entity.
AASB 11	The Australian Accounting Standards Board – Joint Arrangements – details the criteria for determining whether Council has significant influence over an entity.
AASB 19	The Australian Accounting Standards Board – Employee Benefits – details general recognition criteria for employee benefits.
AASB 124	The Australian Accounting Standards Board – Related Party Disclosures Standard under Section 334 of the <i>Corporations Act 2001</i> .
AASB 128	The Australian Accounting Standards Board – Investments in Associates and Joint Ventures detailing the criteria for determining whether Council has significant influence over an entity.
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. The idea of an 'arm's length' transaction allows the market to ensure that both parties in the transaction are acting in their own self-interest and are not subject to any pressure or duress from the other party.



<p>Close family members / close members of the family</p>	<p>Close family members of a KMP are those family members who may be expected to influence, or be influenced by that person in their dealings with the entity. Unless estranged, this includes:</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 - Dependants of that person, or that person's spouse or domestic partner <p>Other family members could include siblings, parents or extended family, if that family member has the ability to influence or be influenced by that person. The entity needs to apply judgement to determine if there is sufficient evidence of influence.</p>
<p>Compensation</p>	<p>Compensation includes employee benefits (as defined in AASB 119 <i>Employee Benefits</i>). Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. Compensation includes:</p> <ul style="list-style-type: none"> • Short term benefits such as wages and salaries, paid annual and sick leave and non-monetary benefits (such as cars) for current employees, • Post-employment benefits such as pensions and other retirement benefits, • Other long term benefits including long service leave and other long service benefits if they are payable wholly within twelve months after the end of the period, • Termination benefits, and • Share based payments.
<p>Control</p>	<p>Control of an entity is present where there is:</p> <ul style="list-style-type: none"> • Power over an entity; Exposure to rights to variable returns from involvement with the entity, and • The ability to use power over an entity to affect the amount of returns received as determined in accordance with <i>AASB 10 - Consolidated Financial Statement</i> (paragraphs 5 – 18 Appendices A and B).
<p>Director</p>	<p>A reference to "Director" in the Related Party Disclosure Register is a reference to the Director of a Program and not to any other position with the word "Director" in its title.</p>
<p>Higher Duty</p>	<p><i>The Local Government (State) Award 2014 Clause 10 (i) and (ii) Use of Skills</i> states an employee who is required by management to relieve in a position which is at a higher grade in Council's Salary System, shall be paid for all time spent relieving in that position. This Policy requires staff acting in higher duties for at least one week (five days consecutively) or more, to comply with the Related Party Disclosure Policy.</p>



Joint Control	Contractually agreed sharing of control of an arrangement that exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Key Management Personnel (KMP)	Those persons with the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.
Local Government Code of Accounting Practice and Financial reporting	The Code issued by the Office of the Local Government annually prescribing and guiding the content of Council's general purpose financial statements.
Material (materiality)	The assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating could influence decisions that users make on the basis of the entity's financial statements. For the purpose of this Policy, it is considered appropriate to set a dollar value to determine materiality. This value is set at \$10,000.
Ordinary Citizen Transaction	A transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.
Related Party	Any person or entity that is related to Council, that is preparing its financial statements.
Related Party Transaction	A transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged. Examples include but are not limited to: <ul style="list-style-type: none"> • Purchases or sales of goods, • Purchases or sales of property or other assets, • Rendering or receiving of services, • Rendering or receiving of goods, • Leases, • Commitments to do something if a particular event occurs or does not occur in the future, and • Settlements of liabilities on behalf of Council or by Council on behalf of that related party.
Remuneration	Remuneration package including any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a Related Party Transaction.
Responsible Accounting Officer	The member of Council staff designated by the General Manager to fulfil the duties of the position (<i>cl.196 Local Government (General) Regulation 2005</i>) Council's Responsible Accounting Officer being the Executive Manager Financial Waverley.
Significant influence	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.
The Act	<i>Local Government Act 1993</i>
The Regulation	<i>Local Government (General) Regulation 2005</i>

3. Objective

The objective of this Policy is to ensure that Council's financial statements contain the necessary related party disclosures to ensure transparency in dealings and the effect on Council's financial reports. It explains the related party concept, and how materiality applies to related party transactions, and provides guidance on determining whether or how a related party transaction should be disclosed in Council's financial statements.

Determining the appropriate related party disclosures depends on the specific facts and circumstances, and requires professional judgement.

4. Scope

This Policy applies to all KMP's and other related parties and their related party transactions, whether those transactions are material or not.

This Policy does not replace or meet the obligation for Councillors and staff to disclose a conflict of interest under Council's Code of Conduct.

5. Policy Content

5.1 Introduction

Council is committed to responsible corporate governance, including compliance with laws and regulations governing Related Party Transactions.

KMP, all Councillors, the General Managers and Directors, are responsible for ensuring that this Policy is understood and complied with and are responsible for identifying Related Parties and notifying Council of any Related Party Transactions.

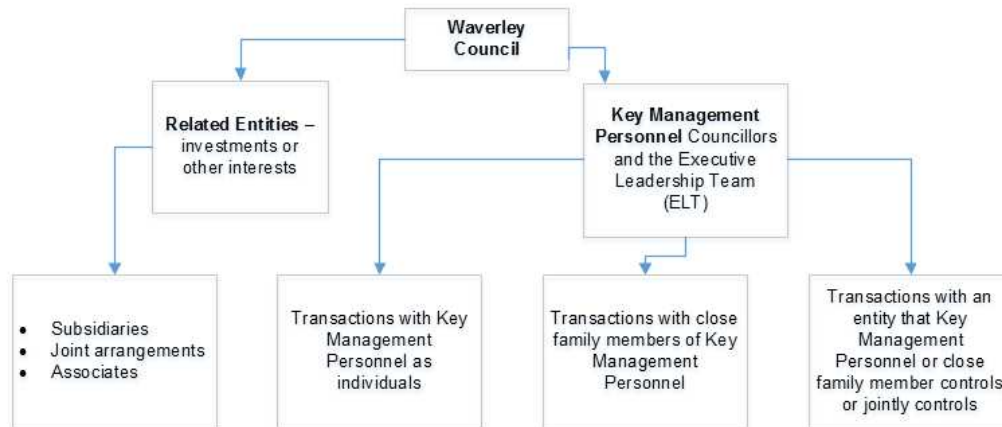
Council will prepare and report related party disclosures in accordance with *AASB 124* and *The Local Government Code of Accounting Practice and Financial Reporting* and provide a system to identify and capture all related party relationships and transactions with Related Parties of Council.

Council's Governance group is responsible for maintaining related party information in a Register and Financial Waverley are responsible for maintaining relevant disclosures to comply with *AASB 124*, as required for financial reporting.

5.2 Related Parties of Council

Related Parties of Council include:

- Related Entities (entities related to Council),
- KMP of Council,
- Close Family Members of KMP, and
- Entities that are controlled or jointly controlled by KMP, or their close family members.



5.3 Related Entities (entities related to Council)

Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are Related Parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements. When assessing whether Council has control or joint control over an entity, Council must consider *AASB 10* and *AASB 11* and *AASB 128* for details about the criteria for determining whether Council has significant influence over an entity.

Council's Contracts Register, Leases and License Register and the Schedule of Debts Written Off will be reviewed to identify Related Party Transactions/Parties. This information will be included in the Related Party Register which will include all joint arrangements and updated on a quarterly/annual basis.

5.4 Key Management Personnel

KMP are persons having the authority and responsibility for planning, directing and controlling the activities of the entity (voting powers), directly or indirectly, including any director (whether executive or otherwise) of the entity. They include:



KMP's are responsible for identifying and disclosing any existing or potential related party transactions between Council and any of their related parties during a financial year and any changes to related party relationships.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register managed by Governance.

In order to comply with AASB 124, all KMP must complete the Related Party Relationship Disclosure Form notifying Governance of any existing or potential related party relationships between Council and any related parties of the KMP, as per:

- AASB 124 came into effect from 1 July 2016 and the responsibilities of KMP and the entity are retrospective and ongoing,
- 30 Days after a KMP commences their term of employment with Council, or not exceeding the financial year due date, and/or
- When a person is acting in a KMP position for at least one week (or five working days).

During the financial year, KMP must proactively notify Governance of any new or potential related party partnerships that they know of or any changes to previously notified relationships, by no later than 30 days after the KMP knows of the relationship or change.

KMP must also provide Governance with a Related Party Transaction Disclosure Form notifying any existing or likely related party transactions between Council and themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members. This is required by July 14 for the prior financial year, or as requested.

"NIL" returns are required to be made when a KMP has no related party relationships or related party transactions to disclose.

When assessing whether a KMP or Close Family Member controls, or jointly controls an entity, Council will need to refer to *AASB 10* and *AASB 11*.

5.5 Council Disclosure

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 details:

- 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,

- their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement,
- 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.

All transactions involving Related Parties will be captured and reviewed by the Executive Manager Financial Waverley to determine:

- Materiality or otherwise of such transactions,
- If the transactions are Ordinary Citizen Transactions, and
- The significance of each of the transactions.

Generally, transactions with amounts receivable from and payable to KMP or their related parties that occur within normal employee, customer or supplier relationships and at arm's length and are not material or significant.

These shall be excluded from detailed disclosures and they will be disclosed in the financial statements by general description. 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.

In the event where there are contentious issues in the determination of Related Party Disclosures Council should seek advice from the External Auditor.

5.6 Materiality

AASB 124 requires management judgment in determining whether a transaction is material for disclosure in its financial statements. A transaction can be material by either size or nature.

For example, a transaction at a nominal amount (such as a peppercorn lease) may be insignificant in amount, but is likely to be material by nature (non arms length transaction) and therefore requires disclosure.

Executive Manager Financial Waverley will apply AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* when assessing materiality for disclosure purposes.

Transactions that are in common with the general public in the course of delivering an entity's public service objectives and that are entered into under the same terms and conditions as a public citizen are unlikely to require disclosure. Examples include:

- Paying taxes, stamp duty, levies, fines or any other statutory charges,
- Receiving tax refunds or rebates,
- Using public services (such as public swimming pools, schools, hospitals, transport etc),
- Payments for electricity, water and other utility services, and
- Renewing licences and registrations.

Further, AASB 124 paragraph 27 provides a list of factors that may also assist an entity in determining materiality. Due to the nature of related party transactions, more weight is

given to qualitative factors of the transactions such as the closeness of the related party relationship in establishing the level of significance of the transaction.

5.7 Related Party and KMP Disclosure

Related Party and KMP Disclosure and the types of disclosures required:

- Relationships between a parent entity and its subsidiaries, irrespective of whether there have been transactions between them,
- KMP' compensation (remuneration) relates to all forms of consideration paid, payable, or provided in exchange for services provided in total,
- Short-term employee benefits, such as wages, salaries, 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, post-employment 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.

5.8 Higher Duties

Staff acting in KMP positions are responsible for disclosing related parties transactions for the duration of the higher duties period, including completing the Related Party Relationships Disclosure Form and Related Party Transactions Disclosure Form at the same time as signing off the Higher Duty Form. They are also responsible to provide this information to Governance before the commencement of the higher duties period. This Policy requires staff acting in higher duties for a period of at least one week to comply with the Related Party Disclosures Policy by providing the information at the same time as the Higher Duty Form is provided to Governance. One week is five days carried out consecutively in the acting position. The declaration is for the time of the acting period only.

5.9 Register of Related Party Transactions

Council will maintain a Register of Related Party Transactions that will be managed by Governance.

5.10 Information Privacy

Information provided by KMP and other related parties will be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance or legal reasons only.

Any application seeking access to information either provide in a Related Party Transactions Disclosure Form or information contained in the Register of Related Party Transactions will be considered, assessed and determined in accordance with Council's *Information Guide* prepared in accordance with the *Government Information (Public Access) Act 2009*.

6. Applicable Legislation

- AASB 124 – Related Party Disclosures (July 2015),
- Australian Accounting Standards,
- *Local Government Act 1993*,
- *Local Government (General) Regulation 2005*,
- *Local Government State (Award) 2015*,
- *Government Information (Public Access) Act 2009*,
- *Corporations Act 2001*, and
- *Privacy and Personal Information Protection Act 1998* (PPIP Act).

7. Related Policies & Procedures

- Waverley Council Code of Conduct,
- Councillor Expenses and Facilities Policy, and
- Council's *Information Guide* prepared in accordance with the *Government Information (Public Access) Act 2009*.

8. Links to the Delivery Program and Operational Plan

How does the policy relate to Waverley Together 3 and Council's Delivery Program and Operational Plan?

G1a Develop and maintain a framework of plans and policies that ensures open and transparent operations that facilitate equitable benefit sharing and progress towards sustainability.

G5a Promote and advocate the provision of financial reporting systems in an accurate, timely, transparent and honest manner to ensure sustainability of public assets and resources.

9. Review details

A review of KMP and their related parties will be completed on adoption of this Policy and then at intervals not exceeding six months and KMP are responsible for keeping Governance updated when any changes to those related parties occur outside of those times. This Policy will also be reviewed when any of the following occur:

- Organisational restructure,
- The related legislation/documents are amended or replaced,
- As a result of changes to the Office of Local Government Local Government Code of Accounting Practice and Financial Reporting, and/or
- Changes to *AASB 124*.

Attachment 1

Checklist for Key Management Personnel

Contributing Factors	Description
Period of Higher Duty where staff must fulfil requirements of KMP, as per the Policy.	1 week that is consecutively carried out.
Arm's length transaction value to be disclosed	\$10,000 or more
Non-arm's length transactions	To be disclosed irrespective of their value if it is concluded there are either quantitatively or qualitatively material to the entity's financial statements.
External commitments	Were you/a close family member a representative of a board or other body of an organisation including not for profit charity organisations that is affiliated with Council and could be subject to funding from Council?
Employment	Were any of your close family members employed in a senior position with an organisation that carries out activities or provides services to Council?
Contracts	Did you/a close family member/any entity controlled by you and/or a close family member have any transactions or arrangements on terms or conditions that were more favorable than those entered into at arm's length?
	Did you/a close family member/any entity controlled by you and/or a close family member enter into any contractual arrangements to purchase, sell, lease or transfer assets and licences, or provide purchase or transfer goods and services?
Financial	Are there any outstanding balances brought forward from a transaction or arrangement disclosed in the previous financial year, between you/a close family member and Council?
Debts	Did you/a close family member/any entity controlled by you and/or a close family member have any debts forgiven or partially forgiven?