

# RELATED PARTY DISCLOSURE POLICY

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<b>Reference number:</b>	POL 031
<b>Approval date:</b>	17 October 2022
<b>Policy owner:</b>	Chief Financial Officer
<b>Next review:</b>	September 2029

This Policy has been developed to provide guidance in complying with the Local Government Act, section 413(3), which requires Council to prepare its General-Purpose Financial Statements in compliance with Australian Accounting Standards. The relevant standard for the purpose of this Policy is AASB 124 Related Party Disclosures, May 2019 (AASB 124).

## 1 Purpose

The objective of the Policy is to ensure that the existence of certain related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on the Financial Statements are properly identified, recorded in the Council's systems, and disclosed in Council's General Purpose Financial Statements in compliance with AASB 124, the Privacy and Personal Information Protection Act 1998 [PPIPA] and the Government Information (Public Access) Act 2009 [GIPAA].

## 2 Scope

The Council in complying with disclosure requirements in AASB 124, will:

- (1) identify related party relationships, related party transactions and ordinary citizen transactions;
- (2) identify information about the related party transactions for disclosure;
- (3) establish systems to capture and record the related party transactions and information about those transactions;
- (4) identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
- (5) determine the disclosures to be made about those items in the General-Purpose Financial Statements for the purpose of complying with AASB 124

### 3 Policy Provisions

#### 3.1 AASB 124 Disclosure Requirements

##### 3.1.1 Disclosures

To comply with AASB 124, for annual periods beginning on or after 1 July 2016, Council will make the following disclosures in its General-Purpose Financial Statements:

- (a) Compensation, categories into:
  - (i) short-term employee benefits;
  - (ii) post-employment benefits;
  - (iii) other long term benefits; and
  - (iv) termination benefits
- (b) Other transactions with KMP and their related parties
- (c) Amounts incurred by Council for the provision of KMP services that are provided by a separate management entity

##### 3.1.2 Disclosed Information

For each category of related party transactions specified in Section 1.4.1(d), Council will disclose the following information in Council's General Purpose Financial Statements:

- (a) the nature of the related party relationship;
- (b) the amount of the transactions;
- (c) the amount of outstanding balances, including commitments, and:
  - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
  - (ii) details of any guarantees given or received;
- (d) provisions for impairment (doubtful debts), related to the amount of outstanding balances; and
- (e) the expense recognised for impairment of receivables (bad or doubtful debts due from related parties).

##### 3.1.3 Disclosed in Aggregate or Separate

For each related party category specified in Section 3.1.1, Council will disclose information specified in Section 3.1.2 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 Financial Statements of Council, having regard to the following criteria:

- (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 under the direction of the Responsible Accounting Officer in consultation with Council's external auditor

## **3.2 Identifying Council Related Party Relationships and Transactions**

### **3.2.1 Identification**

The Responsible Accounting Officer is responsible for identifying Council subsidiaries, associates and joint ventures (incorporated and unincorporated) from the Related Entities Register, a document which is prepared to substantiate the relevant Note contained within the Financial Statements.

### **3.2.2 Control or Joint Control**

To determine whether Council has control or joint control of an entity, the Responsible Accounting Officer is responsible for applying Australian Accounting Standards AASB 10 Consolidated Financial Statements and AASB 11 Joint Arrangements.

### **3.2.3 Associate or Joint Venture**

To determine whether an entity is an associate of, or in a joint venture with, Council or a Council subsidiary the Responsible Accounting Officer is responsible for applying AASB 128 investments in associates and joint ventures.

### **3.2.4 Electronic Investigation**

The Responsible Accounting Officer is responsible for investigating through Council's business system whether any identified Council subsidiaries, associates or joint ventures have an existing related party transaction with Council.

### **3.2.5 Information Extraction**

The Responsible Accounting Officer is responsible for identifying and extracting information specified in Section 3.1.1 against each existing related party transaction in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

### **3.2.6 Manual Investigation and Recording of Information**

For related party transactions that are not captured by Council's business systems, the Responsible Accounting Officer is responsible for manually reviewing the transactional documentation and record the information specified in Section 3.1.1 for the subject transaction in the register of related party transactions.

## **3.3 Responsibilities**

### **3.3.1 Related Party Disclosures**

KMP must provide a related party disclosure in the form set out in Attachment A, notifying any existing or potential 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, excluding Section 3.3.6, to the Chief Financial Officer by no later than the following periods:

- (a) 30 days after the commencement of the application of this Policy
- (b) 30 days after a KMP commences their term or employment with Council
- (c) Three (3) months after the end of each financial year

### **3.3.2 Related Party Disclosure Form**

At least 30 days before a specified notification period, the Chief Financial Officer will provide KMP with a Related Party Disclosure Form (Attachment A) and a Privacy Collection Notice (Attachment B).

### **3.3.3 Suspected Related Party Transaction**

If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide a related party disclosure to the Chief Financial Officer for consideration and determination.

### **3.3.4 Other Notifications**

The notification requirements relevant to legislation within Section 4 are in addition to the notifications a KMP must make in order to comply with:

- (a) for Councillors, the General Manager and other Senior Officers who are KMP, the *Code of Conduct*; and
- (b) the disclosure of interests in a written return pursuant to section 450A of the *Local Government Act 1993 and Local Government (General) Regulation 2021*

### **3.3.5 Exclusions**

The notification requirements in Section 3.3 do not apply to:

- (a) related party transactions that are ordinary citizen transactions
- (b) the Mayor and Councillors expenses incurred and facilities provided during the financial year under the Council's Councillors' Expenses and Facilities Policy (POL 025), the particulars of which are contained in Council's Annual Report pursuant to the Local Government (General) Regulation 2021, clause 217

### **3.3.6 Other Sources of Information**

To ensure all related party transactions are captured and recorded, the Responsible Accounting Officer is responsible for reviewing, if required, other sources of information held by Council including, without limitation:

- (a) a register of interests of a KMP and of persons related to the KMP
- (b) minutes of Council and committee meetings
- (c) Council's Contracts' Register

### 3.3.7 Ordinary Citizen Transactions

A KMP is not required to notify a related party disclosure and Council will not disclose in Council's Financial Statements, related party transactions that are ordinary citizen transactions.

### 3.3.8 Confidentiality

The following information is classified as confidential and is not available for inspection by or disclosure to the public, including through a GIPAA application:

- (a) information (including personal information) provided by a KMP in a related party disclosure; and
- (b) personal information contained in a register of related party transactions

### When Consent is Required

Except as specified in this Policy, Council and other permitted recipients will not use or disclose personal information provided in a related party disclosure by a KMP or contained in a register of related party transactions for any other purpose or to any other person except with the prior written consent of the subject KMP.

### Permitted Recipients

The following persons are permitted to access, use and disclose the information (including personal information) provided in a related party disclosure or contained in a register of related party transactions for the purposes specified in the permitted purposes section following:

- (a) the General Manager
- (b) the Responsible Accounting Officer (Chief Financial Officer)
- (c) the Manager Governance and Risk
- (d) an Auditor of Council (including an Auditor from the NSW Auditor General's Office)
- (e) other Officers as delegated by the General Manager

### Permitted Purposes

A person specified in the Permitted Recipients section 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:

- (a) to assess and verify a notified related party transaction
- (b) to reconcile identified related party transactions against those notified in a related party disclosure or contained in a register of related party transactions
- (c) to comply with the disclosure requirements of AASB 124
- (d) to verify compliance with the disclosure requirements of AASB 124

An individual may access their personal information provided by a KMP in a related party disclosure or contained in a register of related party transactions in accordance with Council's Privacy Policy (POL 095).

### **3.3.11 Government Information (Public Access) [GIPAA] Status**

#### **No Public Inspection**

The following documents are not open to or available for inspection by the public:

- (a) related party disclosures provided by a KMP; and
- (b) a register of related party transactions

#### **Not GIPAA - accessible**

A GIPAA application seeking access to:

- (a) a document or information (including personal information) provided by a KMP in a related party disclosure; or
- (b) personal information contained in a register of related party transactions; will be refused on the grounds the document or information comprises information for which there is an overriding public interest against disclosure pursuant to Section 14 of GIPAA.

#### **Transactional Documentation**

A GIPAA application seeking access to and release of transactional information and documentation the subject of a related party transaction with Council will be considered, assessed and decided in accordance with Council's usual procedures regarding applications made under GIPAA.

### **3.4 Reporting Requirements**

#### **3.4.1 Maintain a Register**

The Responsible Accounting Officer is responsible for maintaining and keeping up to date a register of related party transactions that captures and records the information specified in Section 3.1.2 for each existing or potential related party transaction during a financial year.

#### **3.4.2 Contents of Register**

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

- (a) the description of the related party transaction
- (b) the name of the related party
- (c) the nature of the related party's relationship with Council
- (d) a description of the transactional documents the subject of the related party transaction
- (e) the information specified in Section 3.1.2

The Responsible Accounting Officer is responsible for ensuring that the information specified in Section 3.1.2 is disclosed in Council's Financial Statements to the extent, and in the manner stipulated by AASB 124, subject to Section 6.

## 4 Legislative Context

- Local Government Act 1993 and Local Government (General) Regulation 2021
- Accounting Standard AASB 124 July 2015 Related Party Disclosures
- Privacy and Personal Information Protection Act 1998 (PPIPA)
- Government Information (Public Access) Act 2009 (GIPAA)

## 5 Related Documents

- Code of Conduct
- Councillors' Payment and Expenses Policy (POL 025)
- Privacy Policy (POL 095)
- Public Access to Information Policy (POL 018)

## 6 Definitions

Term	Definition
Arm's length terms	<p>Terms between parties that are reasonable in the circumstances of the transaction that would result from:</p> <ul style="list-style-type: none"> <li>(a) neither party bearing the other any special duty of obligation; and</li> <li>(b) the parties being unrelated and uninfluenced by the other; and each party having acted in its own interest.</li> </ul>
Associate	In relation to an entity ( <i>the first entity</i> ), an entity over which the first entity has significant influence.
Close family members or close members of the family	<p>In relation to a Key Management Personnel (KMP), family members who may be expected to influence, or be influenced by that KMP in their dealings with Council will include:</p> <ul style="list-style-type: none"> <li>(a) that person's children and spouse or domestic partner;</li> <li>(b) children of that person's spouse or domestic partner; and</li> <li>(c) dependants of that person or that person's spouse or domestic partner.</li> </ul> <p>For the purpose of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) <i>if</i> they could be expected to influence, or be influenced by, the KMP in their dealings with Council.</p>
Control	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> <li>(a) power over the entity; and</li> <li>(b) exposure or rights to variable returns from involvement with the entity; and</li> </ul>

Term	Definition
	<p>(c) the ability to use power over the entity to affect the amount of returns received</p> <p>as determined in accordance with AASB 10 <i>Consolidated Financial Statements, Paragraphs 5 to 18, Appendices A (Defined Terms) and B (Application Guidance)</i>.</p>
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.
Joint venture	An arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.
Joint venturer	A party to a joint venture that has joint control of that joint venture.
Key Management Personnel (KMP)	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council directly or indirectly. Specifically, KMP of Wagga Wagga City Council are the:</p> <ul style="list-style-type: none"> <li>(a) Mayor;</li> <li>(b) Councillors;</li> <li>(c) General Manager;</li> <li>(d) Directors</li> <li>(e) Senior Staff members of the Executive Team</li> </ul>
Ordinary citizen transactions	<p>Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.</p> <p>Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> <li>(a) paying rates and utility charges;</li> <li>(b) using Council's public facilities after paying the corresponding fees.</li> </ul>
Related party	<p>A person or entity that is related to Council pursuant to the definition contained in AASB 124, Paragraph 9. Examples of related parties of Council are:</p> <ul style="list-style-type: none"> <li>(a) Council subsidiaries;</li> <li>(b) KMP;</li> <li>(c) close family members of KMP;</li> <li>(d) entities that are controlled or jointly controlled by KMP or their close family members</li> </ul>

Term	Definition
Related party transaction	<p>A transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged. Examples of related party transactions are:</p> <ul style="list-style-type: none"> <li>(a) purchases or sales of goods;</li> <li>(b) purchases or sales of property and other assets;</li> <li>(c) rendering or receiving of services;</li> <li>(d) rendering or receiving of goods;</li> <li>(e) leases;</li> <li>(f) transfers under licence agreements;</li> <li>(g) transfers under finance arrangements (example: loans);</li> <li>(h) provision of guarantees (given or received);</li> <li>(i) commitments to do something if a particular event occurs or does not occur in the future;</li> <li>(j) settlement of liabilities on behalf of Council or by Council on behalf of that related party</li> </ul>
Related party disclosure	A document entitled Related Party Disclosure by Key Management Personnel in the form set out in Attachment A.
Significant influence	The power to participate in the financial and operating policy decisions of another entity but is not in control or joint control of those policies, as determined in accordance with Australian Accounting Standard AASB 128 Investments in Associates and Joint Ventures, Paragraphs 3, 5 and 6.

## 7 Revision History

Revision number	Council resolution	Council meeting date
1	Res No: 17/335	25 September 2017
2	Approval under General Manager delegated authority	27 August 2021
3	Res No: 22/354	17 October 2022

## ATTACHMENT A

### Related Party Disclosure by Key Management Personnel (KMP)

Name of Key Management Person:.....

Position of Key Management Person:.....

**Please list details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by the close family members of KMP.**

Name of person or entity	Relationship

I.....  
(insert full name) (insert position)

declare 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 information supplied by Council which details the meaning of the words “close family members” and “entities controlled, or jointly controlled, by myself or my close family members”. I also understand and have been made aware that if any circumstances change throughout the year in relation to the above, that I am to contact Council within 30 days and complete an amended declaration.

Declared at .....on the .....  
(insert place) (insert date)

.....  
(signature)

Witnessed by..... on the .....  
(insert name) (insert date)

.....  
(signature)

## ATTACHMENT B

### PRIVACY COLLECTION NOTICE

#### RELATED PARTY DISCLOSURES BY KEY MANAGEMENT PERSONNEL

##### Purpose of Collection, Use and Disclosure

From 1 July 2016, councils must disclose related party relationships, transactions and outstanding balances including commitments in the annual financial statements. This is a new requirement for Not-for-Profit Public-Sector Entities and is in addition to the pecuniary interest disclosure (blue form) that Councillors and designated persons complete on an annual basis.

The Australian Accounting Standards Board (AASB) has provided the following definition of a related party:

*“A related party is a person or entity that is related to the entity that is preparing its financial statements.*

*A person or a close member of that person’s family is related to a reporting entity if that person:*

- i) has control or joint control of the reporting entity;*
- ii) has significant influence over the reporting entity; or*
- iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity”*

The Office of Local Government (OLG) provides further advice on who is likely to be defined as a related party:

*“Related parties are likely to include the mayor, councillors, chief executive officers (CEO), senior executives, their close family members and any entities that they control or jointly control”*

Any transactions between council and these parties, whether monetary or not, may need to be identified and disclosed. This information will be audited as part of the annual external audit, with the first-year audit being the 2016/17 financial year.

##### 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 Chief Financial Officer of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject 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 Chief Financial Officer by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this Policy
- 30 days after a KMP commences their term or employment with Council

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make in order to comply with the Code of Conduct

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.

### Who are KMPs?

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

For Council, KMPs include the:

- Mayor;
- Councillors;
- General Manager;
- Directors
- Senior Staff members of the Executive Team

### Who are close family members of a KMP Person?

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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) 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 member	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

### **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:

- (a) power over the entity;
- (b) exposure, or rights, to variable returns from your involvement with the entity; and
- (c) the ability to use your power over the entity to affect the amount of your returns.

#### **Example of control**

Fred 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. Fred controls the company because he has the power to affect the company's decisions and the return that he will get from the company. Fred 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 relevant activities require the unanimous consent of the parties sharing control.

#### **Example of joint control**

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares. Fred and Stan are the only Directors of the company and have equal voting rights on the board. Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both. Fred will need to include the company on his related party disclosure and the entity's related party relationship with Fred and Stan.

In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases, it will be less clear. If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Responsible Accounting Officer for a confidential discussion.

Please also see the following page for a diagram provided by the OLG which gives an overview of common related parties that a council will have.