

Policy

Related Party

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Related Legislation*	<i>Local Government Act 1993</i> <i>Local Government (General) Regulations 2021</i> <i>Privacy and Personal Information Protection Act 1998 (PPIPA)</i> <i>Government Information (Public Access) Act 2009 (GIPA)</i>
Related Policies	Payment of Expenses and Provision of Facilities to Councillors Policy Model Code of Conduct Policy
Related Documents	AASB 124 Related Party Disclosures International Financial Reporting Standards Local Government Code of Accounting Practice

*Note: Any reference to Legislation will be updated in the Policy as required. See website <http://www.legislation.nsw.gov.au/> for current Acts, Regulations and Environmental Planning Instruments.

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1. Purpose

The purpose of this 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 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 and the Government Information (Public Access) Act 2009.

2. Commencement

This Policy is effective from the date of resolution by Council and shall remain in force until repealed by resolution of Council.

3. Scope

This Policy applies to Councillors and Key Management Personnel (KMP).

4. Definitions and Interpretation

Term	Definition
Act	Local Government Act 1993
Arm's length terms	Terms between parties those are reasonable in the circumstances of the transaction that would result from (a) neither party bearing the other any special duty or obligation; and (b) the parties being unrelated and uninfluenced by the other; and each party having acted in its own interest.
Close Family Members	In relation to 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: (a) That person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; or (c) dependants of that person or that person's spouse or domestic partner. 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) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.
Control	Council of an entity is present when there is (a) power over the entity; and (b) exposure or rights to variable returns from involvement with the entity; and (c) the ability to use power over the entity to affect the amount of returns received.
Council	Liverpool Plains Shire Council

KMP	Key Management Personnel is a person or persons that have the authority and responsibility for planning, directing and controlling the activities of Council. Specifically, KMP's of the Council are: (a) Mayor; (b) Councillors; (c) General Manager; (d) Directors; (e) Public Officers.
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 rights to the net assets of the arrangement.
Joint Venturer	A party to a joint venture that has joint control of the joint venture.
Ordinary citizen transactions	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. Examples of ordinary citizen transactions assessed to be not material in nature are: (a) paying rates and utility charges; (b) using Council's public facilities after paying the corresponding fees.
Related Party	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: (a) Council subsidiaries; (b) KMP; (c) close family members of KMP; (d) entities that are controlled or jointly controlled by KMP or their close family members.
Related Party Transactions	A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged. Examples of related party transactions are: (a) purchases of goods; (b) purchases or sales of property and other assets; (c) rendering of services; (d) rendering or receiving of goods; (e) leases; (f) transfers under license agreements; (g) transfers under finance arrangements (example: loans); (h) provision of guarantees (given or received); (i) commitments to do something if a particular event occurs or does not occur in the future; (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.

5. Background

Council's financial performance or position may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties. For these reasons, knowledge of an entity's transactions, outstanding balances, including commitments and relationship with related parties may affect assessment of its operations by users of financial statements, including assessment of the risks and opportunities facing the entity.

This Policy will assist with gathering the information for determination of related party transactions.

6. Policy Statement

6.1 AASB 124 Disclosure Requirements

6.1.1 Disclosure

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. Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them.
- b. Key Management Personnel (KMP) compensation in total and for each of the following categories:
 - i. Short-term employee benefits;
 - ii. Post-employment benefits;
 - iii. Other long term benefits; and
 - iv. Termination benefits.
- c. Amounts incurred by Council for the provision of KMP services that are provided by a separate management entity;
- d. The information specified in Section 4.2 for related party transactions with the following persons during the periods covered by the Financial Statement;
 - i. Council subsidiaries;
 - ii. Entities who are associates of Council or of a Council subsidiary;
 - iii. Joint ventures in which Council or a Council subsidiary is a joint venturer;
 - iv. Council's KMP;
 - v. Other related parties, comprising:
 1. A close family member of a KMP of Council;
 2. Entities controlled or jointly controlled by a KMP of Council;
 3. Entities controlled or jointly controlled by a close family member of a KMP of Council;
 4. Other entities as specified in AASB 124, paragraph 9 (b)(iii),(iv),(v) and (viii).

6.1.2 Disclosed Information

For each category of related party transactions specified in Section 1.1(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 the 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;
 - ii. details of any guarantees given or received.
 - d. Provisions for doubtful debts related to the amount of outstanding balances;
 - e. The expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 6.1.3 Disclosed in Aggregate or Separate
- For each related party category specified in Section 6.1.1 (d), Council will disclose information specified in Section 6.1.2 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.

6.2 Identifying Council Related Party Relationships and Transactions

- 6.2.1 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 Note F of the Financial Statements "People and relationships".
- 6.2.2 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.
- 6.2.3 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.
- 6.2.4 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.
- 6.2.5 Information Extraction

The Responsible Accounting Officer is responsible for identifying and extracting information specified in Section 6.1.2 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.

6.2.6 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 6.1.2 for the subject transaction in the register of related party transactions.

6.3 Identifying Related Party Transactions with KMP and their Close Family Members

6.3.1 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, subject to Section 6.3.5. To be provided to the Chief Financial Officer by no later than the following periods, during a financial year (specified notification period):

- 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. 30 November each year;
- d. 30 June each year.

6.3.2 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).

6.3.3 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.

6.3.4 Other Notifications

The notification requirements in this Section 6 are in addition to the notifications a KMP must make to comply with:

- a. For Councillor's, the Code of Conduct – Councillor's; and
- b. For the General Manager and other Senior Executive Officers who are KMP, the Code of Conduct – Staff; and
- c. The disclosure of interests in a written return pursuant to section 450A of the Local Government Act 1993 and the Local Government (General) Regulation 2021.

6.3.5 Exclusions

The notification requirements in Section 6 do not apply to:

- a. Related party transactions that are ordinary citizen transactions not assessed as being material as determined under Section 6.4; and

- b. The Mayor and Councillor's expenses incurred and facilities provided during the financial year under Council's Payment of Expenses and Provision of Facilities to Councillor Policy, the particulars of which are contained in Council's Annual Report pursuant to the Local Government (General) Regulations 2021, clause 217.

6.3.6 Information Extraction

The Responsible Accounting Officer is responsible for identifying information specified in Section 6.1.2 against each notified related party transaction in Council's business system for the purpose of recording the related party transactions and associated information in the register of related party transactions.

6.3.7 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.

6.3.8 Manual Investigation and Recording of Information

For notified 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 6.1.2 for the subject transaction in the register of related party transactions.

6.4 Ordinary Citizen Transactions

6.4.1 Non-material in Nature

A KMP is not required to notify in a related party disclosure and Council will not disclose in its Financial Statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

6.4.2 Material in Nature

A KMP is required to notify in a related party disclosure and Council will disclose in its Financial Statements in accordance with Section 6.1.2, related party transactions that are ordinary citizen transactions assessed to be material in nature.

6.4.3 Materiality Assessment

The Responsible Accounting Officer is responsible for reviewing and assessing the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the Financial Statements having regard to the criteria specified in Section 6.1.3. As a general rule, Council will utilise \$10,000 as the threshold for materiality.

6.4.4 Information Extraction

The Responsible Accounting Officer is responsible for identifying information specified in Section 6.1.2 against each notified related party transaction that

is an ordinary citizen transaction assessed as being material in nature in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

6.5 Register of Related Party Transactions

6.5.1 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 6.1.2 for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

6.5.2 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. Whether the notified related party transaction is existing or potential;
- e. A description of the transactional documents the subject of the related party transaction.

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

6.6 Information Privacy

6.6.1 Confidential

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

6.6.2 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.

6.6.3 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 Section 6.6.4:

- a. The General Manager;
- b. The Responsible Accounting Officer;
- c. The Director of Infrastructure and Environmental Services;
- d. The Director of Corporate and Community Services;
- e. An Auditor of Council;

-
- f. Other Officers as delegated by the General Manager.

6.6.4 Permitted Purposes

A person specified in 6.6.3 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 a disclosure requirement of AASB 124;
- d. To verify compliance with the disclosure requirements of AASB 124.

6.7 Government Information (Public Access) [GIPPA] Status

6.7.1 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.

6.7.2 A GIPPA 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 GIPPA Act.

6.8 Reporting

All reporting will be completed annually in note F of the General Purpose Financial Statements.

Attachment A

Related Party Disclosure by Key Management Personnel

[Note: This document is confidential and is not GIPA Act accessible. See Council's Related Party Disclosure Policy]

Name of Key Management Personnel: _____

Position of Key Management Personnel: _____

Please read the Privacy Collection Notice provided with this notification, which explains what a related party transaction is and explains the purpose 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 _____ (financial year);
or
- (b) Has entered into, or is reasonably likely to enter into, in the _____ (financial year).

Description of Related Party Transaction	Is the transaction existing/potential?	Related Party's Name	Related Party's Relationship

Notification:

I, _____ notify that, to the best of my information and belief, 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 _____ financial year.

I make this notification after reading the Privacy Collection Notice provided by Liverpool Plains Shire Council, which details the meaning of the words “related party”, “related party transaction”, “close member 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 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.

Signature of named Key Management Personnel: _____

Date: _____

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 2016, 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.

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 the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the 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.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its Key Management Personnel to periodically provide notifications to the General Manager 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 Key Management Personnel 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 Key Management Personnel, to the General Manager 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;
- 30 November (each year); and
- 30 June (each year)

Note – These related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with:

- For councillors, the Code of Conduct – Councillors; and
- For other KMPs, the Code of Conduct – staff.

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.