

RELATED PARTY DISCLOSURES POLICY

POLICY OBJECTIVE

From 1 July 2016, the Australian Accounting Standards Board has determined that AASB 124 related party disclosures will apply to government entities including local governments.

Council must disclose related party relationships, transactions and outstanding balances, including commitments, in the Annual Financial Statements.

Related parties are likely to include the Mayor, Councillors, General Manager, Senior Executives, their close family members and any entity 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 external audit by the Audit Office of New South Wales.

1. POLICY STATEMENT

The intent of this policy is to ensure that Council's 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.

2. POLICY COVERAGE

Unless otherwise stated, this policy is applicable to all Councillors, the General Manager, Directors and Managers. They are responsible for ensuring that this policy is understood and complied with.

This policy shall be applied by Wentworth Shire Council in:

- Identifying related party relationships and transactions;
- Identifying outstanding balances between Council and its related parties;
- Identifying the circumstances in which disclosure of the items listed above are required; and
- Determining the disclosures to be made about the items listed above.

3. STRATEGIC PLAN LINK

Objective: 4.0 Wentworth is a caring, supportive and inclusive community that is informed and engaged in its future.

Strategy: 4.1 Provide strong and effective representation, leadership, planning, decision-making and service delivery.

4. DEFINITIONS AND ABBREVIATIONS

Term/Word	Definition
Accounting Standards	A set of rules that govern the way in which financial statements are prepared to ensure that these statements are comparable through time for an entity and across similar entities.
Australian Accounting Standards Board (AASB)	The AASB is an independent agency of the Australian Government with responsibility to make accounting standards under section 34 of the Corporations Act, to formulate

RELATED PARTY DISCLOSURES POLICY

	accounting standards for other purposes and to participate in and contribute to the development of a single set of international accounting standards for worldwide use. The Chairman of the ASSB reports to the responsible Minister regarding the organisation's operations.
Close family members or close members of the family	<p>In relation to a key management person, family members who may be expected to influence, or be influenced by, that key management person in their dealings with council and include:</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>For the purpose of this policy, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the key management person in their dealings with Council.</p>
Control	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> • Power over 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
Key Management Personnel or Key Management Person or KMP	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. Specifically, KMP of Council includes the Mayor, Councillors, the General Manager, Directors and Managers. Other persons may be considered KMP of council if they meet the definition requirements. Persons acting in a KMP position will not be considered KMP unless they meet the definition requirements or are acting for a period of more than five consecutive weeks.</p>
Materiality	<p>Factors and thresholds determined by the Director Finance and Policy in consultation with Council's external auditors.</p>
Ordinary Citizen Transaction (OCTs)	<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. Examples of ordinary citizen transactions assessed to be not material in nature include:</p> <ul style="list-style-type: none"> • Paying rates and annual charges; • Using Council's public facilities after paying the corresponding fees; and

RELATED PARTY DISCLOSURES POLICY

	<ul style="list-style-type: none"> Fees and charges approved by council that are on terms and conditions to the general public and by their nature or amount are not material.
Significant Influence	Is the power to participate in the financial and operating policy decisions of an entity, but not control over these policies. Significant influence may be gained by share, ownership, statute or agreement.
Related Party	<p>Is a person or entity that is related to the entity that is preparing its financial statements. Examples of related parties are:</p> <ul style="list-style-type: none"> Council subsidiaries Key management personnel Close family members of key management personnel Entities that are controlled or jointly controlled by KMP or their close family members
Related Party Transaction	<p>Is 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"> Purchases or sales of goods; Purchases or sales of property and other assets; Rendering or receiving of services; Rendering or receiving of goods; Development applications; Leases; Commitments to do something if a particular event occurs or does not occur in the future; or Settlement of liabilities on behalf of Council or by Council on behalf of that related party.
Related Party Transaction Notification or RPT Notification	A document entitled Related Party Transaction Notification by KMP in the prescribed form.

5. POLICY CONTENT

It is the policy of this Council that:

Council is required to prepare and report related party disclosures in accordance with Australian Accounting Standard requirements. To do this, Council will implement a system to identify and capture related party transactions with related parties.

Related Party relationships are a normal feature of commerce and business. For example, entities frequently carry on parts of their activities through subsidiaries, joint ventures and associates. In these circumstances, there is the possibility of the entity having the ability to affect the financial and operating policies of Council through the presence of control, joint control or significant influence.

RELATED PARTY DISCLOSURES POLICY

A related party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a related party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers.

Also, transactions between related parties may not be made on the same terms as between unrelated parties.

The normal business operations of Council 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 Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another, for example a local supplier may be instructed by its parent not to engage in supplying goods to Council.

For these reasons, knowledge of Council's transactions and outstanding balances (including commitments and relationships with related parties) may affect assessments of Council's operations by users of financial statements, including assessments of the risk and opportunities facing Council.

Related Party Relationships

Council will identify any entities and KMP that fall within the definition of a related party.

Related Party Disclosures:

Key Management Personnel must provide a Related Party Transaction Notification (RPT Notification) 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 close family members, to the Finance and Policy Department in council by no later than 30 June each year (specified notification period):

At least 30 days before a specified notification period the Office of the General Manager will provide KMPs with an RPT Notification Form (**Attachment A**) and a Privacy Collection Notice (**Attachment B**).

The notification requirement above does not apply to:

- Related party transactions that are ordinary citizen transactions not assessed as being material; and
- For Councillors, expenses incurred and facilities provided to a councillor during the financial year, under council's Payment of Expenses and Provision of Facilities Policy, the particulars of which are contained in council's annual report pursuant to the Local Government (General) Regulation 2021.

Register of related party transactions

Council will maintain and keep up to date a register of related party transactions that captures and records information required for disclosure purposes for each existing or potential related party transaction (including ordinary citizens transactions assessed as being material in nature) during a financial year.

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

- The description of the related party transaction;
- The name of the related party;
- The nature of the related party's relationship with Council;

RELATED PARTY DISCLOSURES POLICY

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

Information Privacy

The following information is classified as confidential and is not available for inspection by or disclosure to the public, including through a Government Information (Public Access) application:

- Information (including personal information) provided by a key management person in a RPT Notification; and
- Personal information contained in a register of related party transactions.

Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a RPT Notification 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.

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

KMP for information about themselves

- Officers of Council's Finance and Policy Department responsible for maintaining related party information;
- Officers of Council's Finance function responsible for the preparation of financial reporting;
- Members of Council's Audit, Risk & Improvement Committee; and
- An auditor of Council (including an auditor from the New South Wales Audit Office)

A person specified above may access, use and disclose information (including personal information) in an RPT Notification or contained in a register of related party transactions for the following purposes:

- To assess and verify a notified related party transaction;
- To reconcile identified related party transactions against those notified in an RPT Notification or contained in a register of related party transactions;
- To comply with the disclosure requirements of AASB 124; or
- To verify compliance with the disclosure requirements of AASB 124

An individual may assess their personal information provided by a KMP in an RPT Notification or contained in a register of related party transactions in accordance with Council's Information Privacy Policy.

Government Information (Public Access) Status

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

- RPT Notifications provided by a KMP and
- A register of related party transactions

A GIPA application seeking access to or release of:

- A document or information (including personal information) provided by a KMP in an RPT Notification or
- Personal information contained in a register of related party transactions

RELATED PARTY DISCLOSURES POLICY

will be refused on the grounds the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest under Section 14 of the Government Information (Public Access) Act 2009.

A GIPA application seeking access to a 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 the Government Information (Public Access) Act 2009.

Disclosure Requirements

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 Statement:

- Relationships between Council and its subsidiaries, irrespective of whether there have been transactions between them; and
- Key management personnel (KMP) compensation in total and for each of the following categories;
 - Short-term employee benefits
 - Post-employment benefits
 - Other long term benefits; and
 - Termination benefits

Amounts incurred by Council for the provision of KMP services that are provided by a separate management entity.

Related party transactions are required to be disclosed, regardless of whether a price is charge. Such transactions may include:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Quotations and/or tenders;
- Commitments; or
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party.

Council shall disclose in its financial statements:

- Related party;
- Relationships;
- Transactions (monetary and non-monetary);
- Outstanding balances; and
- Commitments.

At a minimum, disclosures shall include:

- The value of the transaction(s);
- The value of outstanding balance(s) and their terms and conditions, including whether they are secured, and the nature of consideration to be provided in settlement;
- Details of any guarantees 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.

RELATED PARTY DISCLOSURES POLICY

Disclosures are to be made separately for the following categories:

- Subsidiaries;
- Associates;
- Joint ventures in which Council is a joint venturer;
- KMP and close family members; and
- Other related entities

Transactions with and amounts receivable from and payable to related parties of Council which:

- Occur within a normal employee, customer or supplier relationship and at arms' length;
- Occur under normal terms and conditions;
- Are trivial or domestic in nature; and
- Are individually or collectively immaterial

shall be excluded from the detailed disclosures. Such transactions and amounts receivable or payable shall be disclosed in the financial statements by aggregate or general description. The arm's length principle is the condition or fact that the parties to a transaction are independent and on an equal footing. Normal terms and conditions are those that apply to the general public. Transactions or balances are trivial in nature when they are of little or no interest to the users of the financial report in making evaluation decisions about the allocation of scarce resources and domestic in nature when they are related to a person's personal household activities. Materiality takes its meaning as defined in AASB 101 Presentation of Financial Statements.

The following matters will be considered in determining the materiality and significance of any related party transactions:

- Significance of transaction in terms of size;
- Whether the transaction was carried out on non-market terms;
- Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;
- Whether the transaction is disclosed to regulatory or supervisory authorities;
- Whether the transaction has been reported to senior management; and
- Whether the transaction was subject to Council approval.

Regard must also be given for transactions that are collectively, but not individually significant.

The Director Finance and Policy is responsible for the following:

Identifying Council subsidiaries, associates and joint ventures

- To determine whether Council has control or joint control of an entity;
- To determine whether an entity is an associate of, or in a joint venture with Council or a Council subsidiary; and
- Ensuring that all the relevant information for each existing related party transaction is compiled for the purpose of recording the related party transactions and associated information in a register of related party transactions.

6. RELATED DOCUMENTS & LEGISLATION

Legislation

- *Local Government Act 1993 (NSW)*
- *Local Government (General) Regulation 2021*
- *Government Information (Public Access) Act 2009 (NSW)*

RELATED PARTY DISCLOSURES POLICY

Council Policies

- GOV020 – Code of Conduct Policy
- GOV022 – Legislative Compliance Policy
- GOV023 – Conflicts of Interest Policy

Council Document

- Legislative Compliance Framework
- Governance Framework
- Conflict of Interests Register

7. ATTACHMENTS

Attachment A – Related Party Transaction Notification

Attachment B – Privacy Collection Notice

8. DOCUMENT APPROVAL

This document is the latest version of the official policy of the Wentworth Shire Council, as adopted by Council on 18 May 2022. All previous versions of this policy are null and void.

This policy may be amended or revoked by Council at any time.

A PDF copy of the signed document can be accessed from Council's record management system and Reliansys.

Signed:

23 May 2022

General Manager Wentworth Shire Council

Date

Council Policy No: GOV016
RELATED PARTY DISCLOSURES POLICY

Attachment A

[Related Party Transactions Notification]

WENTWORTH SHIRE COUNCIL
Related Party Transactions
Notification by

Key Management Personnel

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

Name of Key Management Person:

Position of Key Management Person:

Please read the Privacy Collection Notice provided with this notification, which explain 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:

- Has previously entered into and which will continue in the current and next financial year; or
- Has entered into, or is reasonably likely to enter into, in the next financial year.

Description of Related Party Transaction	Is transaction existing/potential?	Related Party's Name (Individual's or entity's name)	Related Party's Relationship/Reason's why related	Description of Transaction Documents or Changes to the Related Party Relationship

I _____, _____ notify that, to the best of my knowledge, information and
(Full name) (Position)

I permit the Director Finance and Policy 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.

Signature of named Key Management Person: _____

Dated: _____

RELATED PARTY DISCLOSURES POLICY

Attachment B

[Privacy Collection Notice]

**WENTWORTH SHIRE COUNCIL
PRIVACY COLLECTION NOTICE
RELATED PARTY TRANSACTIONS DISCLOSURE 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, 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, which can be found at <http://www.wentworth.nsw.gov.au/policies>.

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 (**KMPs**) 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, a KMP must provide a Related Party Transaction Notification, in the approved form, notifying any existing or potential related party transaction between Council and any related parties of the KMP, to the General Manager by no later than 30 June each year

Also, during a financial year, a KMP must proactively notify of any new or potential related party transactions that the person knows of, or any changes to previously notified related party relationships or transactions, relevant to the subject financial year by providing to the General Manager, additional Related Party Transactions Notifications by no later than 30 days after the person becomes aware of the transaction or change.

Note, these related party transaction notification requirements are in addition to the notifications KMPs are required to make to comply with:

- The material Conflicts of Interest obligations (Pecuniary and Non Pecuniary) in the Local Government Act 1993 and Council's Code of Conduct

RELATED PARTY DISCLOSURES POLICY

- The declaration of interests for the register of interests required to be kept under the Local Government (General) Regulation 2021

The New South Wales Audit Office may audit related party information as part of the annual external audit.

For privacy and government information (public access) 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 these include:

- The Mayor
- Councillors
- General Manager
- Directors
- Managers

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:

- That person's children and spouse or domestic partner;
- Children of that person's spouse or domestic partner; or
- Dependants of that person or that person's spouse or domestic partner

The definition of close members of the family of a related person for the purpose of AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a register of interest under the Local Government (General) Regulation 2021. For 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.

For a related party transaction, unlike a register of interests, the related party and relationships must be disclosed for both the KMP and their close family member even if the same party related party entity is held jointly or in common by them.

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

RELATED PARTY DISCLOSURES POLICY

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
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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 charities, joint ventures and partnerships. You control an entity if you have:

- Power over the entity;
- Exposure, or rights, to variable returns from your involvement with the entity; or
- 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 transaction notification.

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about 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 transaction notification and 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 General Manager for a confidential discussion.