

POLICY:-	
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PROCEDURES/GUIDELINES:-	
Date procedure / guideline was developed:	N/A
Procedure/guideline reference number:	N/A

RESPONSIBILITY:-	
Draft Policy developed by:	Director of Finance and Administration
Committee/s (if any) consulted in the development of this Policy:	N/A
Responsibility for Implementation:	Director of Finance and Administration
Responsibility for review of Policy:	Director of Finance and Administration

OBJECTIVE

To ensure compliance with the provisions of Australian Accounting Standard AASB 124 regarding the disclosure of Related Parties, Related Party Relationships and Related Party Transactions.

PURPOSE

The purpose of this policy is to:-

1. Define the parameters for Related Party Relationships and the level of disclosure and reporting required for Council to achieve compliance with the Australian Accounting Standard AASB 124.
2. Ensure that Council's Related Party Relationships are disclosed, irrespective of whether there have been transactions between the parties.

Definitions

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 124 - the Australian Accounting Standards Board - Related Party Disclosures Standard under Section 334 of the *Corporations Act 2001* – details that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

AASB 128 – the Australian Accounting Standards Board - Investments in Associates and Joint Ventures - details the criteria for determining whether Council has significant influence over an entity.

Close family members or close members of the family - in relation to a 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; and
- 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.

Entity - can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

Key Management Personnel (KMP) - are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including Councillors, the General Manager and Directors of Upper Lachlan Shire Council.

Material (materiality) - means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Ordinary Citizen Transaction - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

Related Party (related party relationships) - a person or entity that is related to the entity preparing its financial statements (reporting entity).

Related Party Transaction - is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged. Such transactions may include:

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

Remuneration - means remuneration package and includes 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.

Significant (significance) - means 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 - *the Local Government Act 1993*

The Regulation - *the Local Government (General) Regulation 2005*

POLICY

Introduction

Council is required to disclose Related Party Relationships and Transactions as well as Key Management Personnel (KMP) compensation in its Annual Financial Statements in accordance with the Accounting Standard AASB 124.

The objective of this policy is to ensure that Upper Lachlan Shire Council's financial statements contain the necessary related party disclosures, thereby ensuring transparency in dealings and their effect on Council's financial reports. These disclosures draw attention to the possibility that Council's financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

The key assessment is whether knowledge of the relationship and terms and conditions could influence a user's understanding of the impact on the financial statements.

Policy Statement

Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

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 those 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.

A related party relationship could influence the normal business operations of Council even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. For example, goods may be supplied to Council on terms that might not be offered to other customers.

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.

AASB 124 provides that Council must disclose all material and significant related party transactions and outstanding balances, including commitments, in its Annual Financial Statements. Generally, disclosure will only be made where a transaction has occurred between Council and a related party of Council. In addition, the transaction must be material in nature or size when considered individually or collectively.

The Australian Accounting Standards Board advised in its April 2017 Agenda Decision *'the board considers there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure, and accordingly, the Board does not expect information to be collected unless it could be material for disclosure'*.

When assessing whether such transactions are significant the following factors will be taken into consideration:-

- significance in terms of size
- was it carried out on non-market terms
- is it outside normal day-to-day Council operations
- was it subject to Council approval
- did it provide a financial benefit not available to the general public
- was the transaction likely to influence decisions of users of the Annual Financial Statements

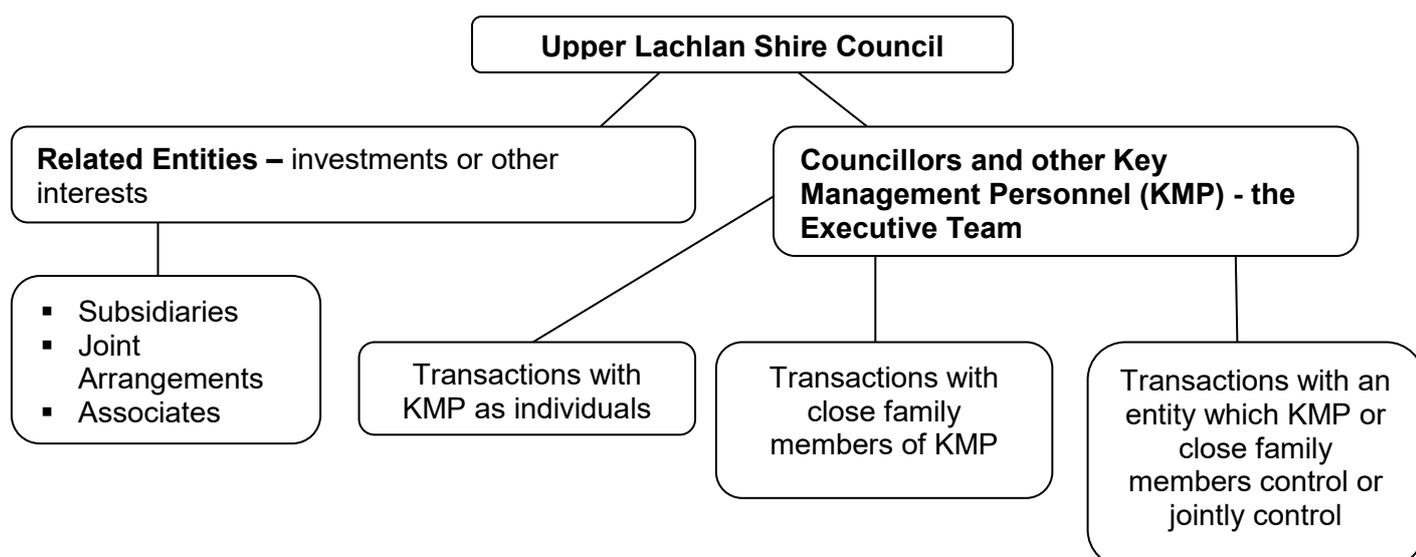
Regard must also be given to transactions that are collectively but not individually significant.

To enable Council to comply with AASB 124, Council's KMP are required to declare full details of any Related Parties and Related Party Transactions. Such information will be retained and reported, where necessary, in Council's Annual Financial Statements.

Related Parties

Related parties of Council are as follows:-

- Entities related to Council;
- Key Management Personnel (KMP) of Council;
- Close family members of KMP;
- Entities that are controlled or jointly controlled by KMP, or their close family members.



Entities Related to Council

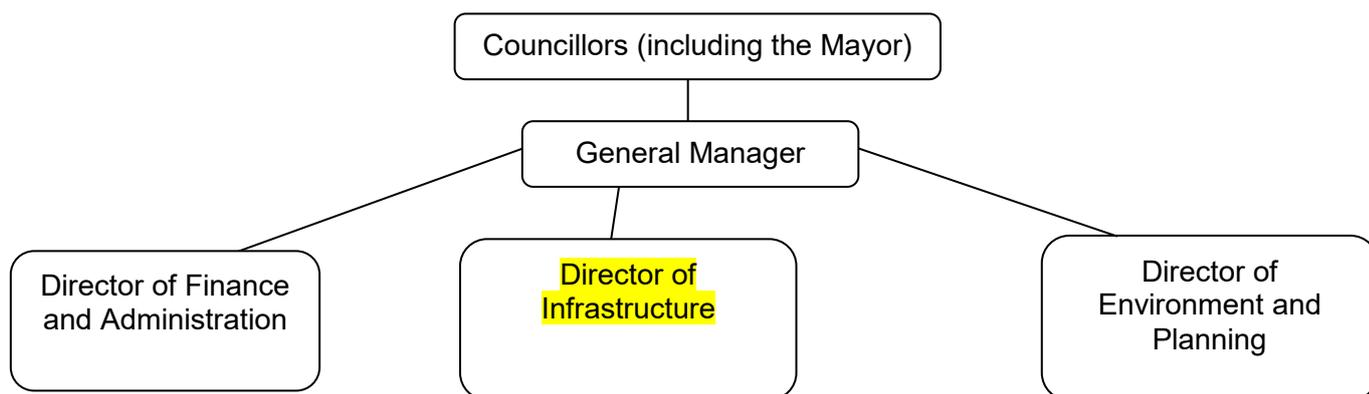
Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements. When assessing whether Council has control or joint

control over an entity Council must consider AASB 10 and AASB 11. AASB 128 details 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 an annual basis.

Key Management Personnel (KMP)

The following chart identifies KMP of Upper Lachlan Shire Council:-



Close Family Members of KMP

Those 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.

Entities that are Controlled or Jointly Controlled by KMP or their Close Family Members

Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

The following table will assist in identifying 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

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

DISCLOSURE

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
- 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
 - the expense recognised during the period in respect of bad or doubtful debts due from related parties

All required transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are ordinary citizen transactions, and to determine the significance of each of the transactions.

Generally, transactions with amounts receivable from and payable to the KMP or their related parties which:-

- occur within normal employee, customer or supplier relationships and at arm's length
- are not material or significant

These shall be excluded from detailed disclosures; they will be disclosed in the financial statements by general description. Disclosures that Related Party Transactions were made on terms equivalent to an arms-length transaction can only be made if such terms can be substantiated.

Related Party and KMP Disclosure

The types of disclosure that are required are as follows:-

1. Relationships between a parent and its subsidiaries, irrespective of whether there have been transactions between them.
2. KMP Compensation (remuneration) relate to all forms of consideration paid, payable, or provided in exchange for services provided in total and for each of the following categories:
 - Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave 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.
 - Termination benefits.
3. Where related party transactions have occurred:-
 - The nature of the related party relationship
 - Information about the transactions, outstanding balances and commitments, including terms and conditions
4. Separate disclosure for each category of the related party.
5. For the types of transactions to be disclosed refer to Related Party Transactions section.

KMP Declarations must be made annually by 30 June by using the Related Party Transaction Disclosure by KMP form (see Appendix A).

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

- For Councillors and KMP, the pecuniary interests and conflicts of interest obligations in the *Local Government Act 1993* and Code of Conduct.

A related party transaction, as opposed to the Register of Pecuniary Interests, the related party and relationship must be disclosed for both the KMP and their close family member even if the same related party entity is held jointly or in common by them.

The NSW Audit Office shall audit related party information as part of their annual audit.

Notifications by Key Management Personnel

In order to comply with the AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Manager of Finance and Administration 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.

KMPs must complete the related party relationships notification using the Key Management Personnel Form (see Appendix B), notifying any existing or potential related party relationships between Council and any related parties of the KMP, to the Manager of Finance and Administration 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

Related Party Transactions

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

- purchase or sale of goods (finished or unfinished)
- purchase or sale of property and other assets
- rendering or receiving services
- leases
- transfers of research and development
- transfers under licence agreements
- transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- provision of guarantees or collateral
- commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- quotations and/or tenders
- settlements of liabilities on behalf of Council or by Council on behalf of the related party
- Expense recognised during the period in respect of bad debts
- Provision for doubtful debts relating to outstanding balances

Procedures

The method for identifying the close members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any related party transactions.

The preferred method of reporting is for KMPs to provide details of related parties and related party transactions to the Manager of Finance and Administration.

Information provided will be reviewed by Council staff and will be held on a centralised

register within the Finance and Administration Department.

Access to Government Information (Public Access) Act 2009 (GIPA Act)

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

Disclosures, Notifications and the Register are not available for public access under the GIPA Act.

Review

This policy will be reviewed at minimum every three years or when any of the following occur:-

- Related legislation is amended or replaced;
- As a result of changes to the Office of Local Government Local Government Code of Accounting Practice and Financial Reporting;
- Changes to AASB 124.

LEGISLATIVE PROVISIONS

Reference should be made to the following legislation, guidelines and policy documents when reading this policy:-

- AASB 10 - Consolidated Financial Statements;
- AASB 11 - Joint Arrangements;
- AASB 124 – Related Party Disclosures;
- AASB 128 – Investments in Associates and Joint Ventures;
- Corporations Act 2001;
- Environmental Planning and Assessment Act 1979;
- Government Information (Public Access) Act 2009;
- Independent Commission against Corruption Act 1988 and ICAC Guidelines;
- Local Government Act 1993;
- Local Government (General) Regulations 2005;
- Local Government Amendment (Governance and Planning) Act 2016;
- Local Government Code of Accounting Practice and Financial Reporting Guidelines;
- Local Government (State) Award 2020;
- Office of Local Government Tendering Guidelines for NSW Local Government;
- Ombudsman Act 1974;
- Privacy and Personal Information Protection Act 1998;
- Public Interest Disclosures Act 1994;
- State Records Act 1998;
- Work Health and Safety Act 2011 and Regulations;
- Code of Conduct for Councillors, staff, contractors and delegates of Council;
- Council Bribes, Gifts and Benefits Policy;
- Council Code of Business Practice;
- Council Code of Meeting Practice;
- Council Disciplinary Policy;

- Council Fraud and Corruption Prevention Policy;
- Council Government Information (Public Access) Policy;
- Council Payment of Expenses and Provision of Facilities Policy;
- Council Public Interest Disclosures – Internal Reporting Policy;
- Council Purchasing and Acquisition of Goods Policy and Procedures.

VARIATION

Council reserves the right to review, vary or revoke this policy.

Appendix A – Related Party Transactions Notification



RELATED PARTY TRANSACTION DISCLOSURE BY KEY MANAGEMENT PERSONNEL

Financial Year ...**2019-2020**...

Name of Key Management Person:

.....

Position of Key Management Person:

.....

Please read the Related Party Disclosures Policy provided with this notification, which explains what is a related party transaction and the purposes for which Council is collecting, and will use and disclose, the related party information provided by you in this notification.

Please complete the table below **for each Related Party Transaction with Council** that you, or a close member of your family, or an entity related to you or a close member of your family:

1. has previously entered into **and** which will continue in the**2019-2020**..... financial year
2. has entered into, or is reasonably likely to enter into, in the**2019-2020**..... financial year

Related Party's Name (Individual's or entity's name)	Relationship	Nature of Transaction Existing or Potential	Dollar/Equivalent Value \$	Description of Transaction Documents

KMP Compensation (remuneration) in total and for each of the following categories:

Type of Remuneration	Short-term Employee Benefits \$	Post-Employment Benefits \$	Other long-term Benefits \$	Termination benefits \$

Note: Only the aggregate amount of KMP remuneration will be included in the Council Annual Financial Statements.

Disclosure

I,
(Full name) *(Position)*

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

as at the date of this disclosure, the above information 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**2019-2020**... financial year.

I make this disclosure after reading the Related Party Disclosures Policy provided by Upper Lachlan Shire Council, which details the meaning of the words “related party”, “Related Party Transaction”, “close members of the family of a person” and, in relation to an entity, “control” or “joint control”, and the purposes for which this information will be used and disclosed.

I permit the Manager of Finance and Administration and the other permitted recipients specified in Council’s Related Party Disclosure Policy to access the register of interests in relation to 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:

Appendix B – Examples of Related Parties and Transactions



EXAMPLES – RELATED PARTIES AND TRANSACTIONS

Some specific examples of related party transactions may include:

- paying rates and utility charges in accordance with Council's schedule of Fees and Charges
- using Council's public facilities after paying the corresponding fees:
- entering into leases with Council or Council owned properties
- entering into contracts to provide/receive goods/services to/from Council
- use of Council assets free of charge (e.g. office space for personal reasons)
- writing off debts due to/by related parties

Company that is a Related Party of Council – Example 1

Upper Lachlan Shire Council () owns 90% of the shares in Upper Lachlan Regional Development Pty Ltd (the Company).

ULSC has assessed that it has control over the company. The company is therefore a related party of ULSC because ULSC controls it.

ULSC produces consolidated financial statements which include both a parent entity column and consolidated entity column. In the statements all individually significant transactions between ULSC and the company will need to be disclosed. For other transactions that are collectively, but not individually, significant ULSC will need to disclose a qualitative and quantitative indication of their extent.

ULSC must also disclose the nature of its relationship with the company.

Key Management Personnel – Close Family Members – Example 2

ULSC has recently employed Julie's son (Richard) in the Council's Works and Service area. Julie is Council's Mayor but was not involved in hiring Richard. This process was managed by the Human Resources Officer and included an independent assessment process. Julie did not have any influence in Richard securing the job.

Julie has been identified as a KMP of Council, which makes her a related party.

Richard will also be a related party of Council because he is a close family member of Julie. The recruitment process that was undertaken for Richard's position is irrelevant when assessing whether Richard is a related party.

Key Management Personnel – Close Family Members – Example 3

The Mayor of Upper Lachlan Shire Council (Julie) has lived in the Shire her whole life. In fact her family has been in the area for over three generations.

Julie's cousin Sally, owns and operates a local newsagent through a company Today's News Pty Ltd, of which she is 100% owner. Julie and Sally have always been close and regularly socialise.

Julie has been identified as a KMP of the Council. Sally is classified as a close family member of Julie because she would be able to influence, or be influenced by, that person with her dealings with Council.

Both Sally and the Company she controls, Today's News Pty Ltd would both be related parties of the Council. Any transactions that the Council makes with the newsagent would need to be separately identified and need to be disclosed.

Entities that are Controlled or Jointly Controlled by KMP or their Close Family Members – Example 4

The Mayor of Upper Lachlan Shire Council (Julie) is the President of Taralga Football League Inc, the local rugby club. The club is overseen by a committee which comprises the President and five other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 150 members that each have a vote in electing the committee members at the club's annual general meeting.

The Mayor does not control or jointly control the football club so it will not be a related party of Council just because the Mayor is the President of the club.

However, an entity where Julie has a close family member who has a voting right they would be considered as a related party.

Different Party Transactions that may occur between Related Parties - Example 5

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

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

All of the transactions described above between the Council and Councillor Paul are related party transactions of the Council considered for disclosure in the Council's general purpose financial statements. Based on the facts and circumstances described, the Council may determine that these transactions are unlikely to influence the decisions that users of the Council's financial statements make having regard to both the extent of the transactions, and that the transactions have occurred between the Council and Councillor Paul within a public service provider/ratepayer relationship.

Contentious Issues

Note: where there are contentious issues in the determination of related party disclosures Council should seek advice from the External Auditor.

When assessing whether a KMP or close family member controls, or jointly controls, an entity Council will need to refer to ASSB 10 and ASSB 11.

Example of completed 'Related Party Transaction Disclosure by Key Management Personnel' form



RELATED PARTY TRANSACTION DISCLOSURE BY KEY MANAGEMENT PERSONNEL (EXAMPLE)

Financial Year 2016/2017

Name of Key Management Person:

Julie Smith

Position of Key Management Person:

Mayor

Please read the Related Party Disclosures Policy provided with this notification, which explains what is a related party transaction and the purposes for which Council is collecting, and will use and disclose, the related party information provided by you in this notification.

Please complete the table below **for each Related Party Transaction with Council** that you, or a close member of your family, or an entity related to you or a close member of your family:

1. has previously entered into **and** which will continue in the 2016/2017 financial year
2. has entered into, or is reasonably likely to enter into, in the 2016/2017 financial year

Related Party's Name (Individual's or entity's name)	Relationship	Nature of Transaction Existing or Potential	Dollar/Equivalent Value \$	Description of Transactions and/or Documents
Julie Smith		Payment of Rates	\$2,172.69	Rates Notice
Julie Smith		Payment of Water Charges	\$650.00	Water Bill Account
Julie Smith	President of Taralga Football League Inc.	Nil	Nil	N/A
Julie Smith		Private Works – Maintenance on private access road	\$8,500.00	Council Invoice
Richard Smith	Son	Employee of ULSC	\$40,500.00	Normal Employee Wages
Sally Smith	Cousin	Stationery Sales	\$1,000.00	100% Owner of Today's News Pty Ltd – 30 day Terms on Invoices

KMP Compensation (remuneration) in total and for each of the following categories:

Type of Remuneration	Short-term Employee Benefits \$	Post-Employment Benefits \$	Other long-term Benefits \$	Termination benefits \$
Councillor Remuneration	\$16,800			

Note: Only the aggregate amount of KMP remuneration will be included in the Council Annual Financial Statements.

Disclosure

I Julie Smith, Mayor
(Full name) (Position)

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

as at the date of this disclosure, the above information 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 2016/2017 financial year.

I make this disclosure after reading the Related Party Disclosures Policy provided by Upper Lachlan Shire Council, which details the meaning of the words “related party”, “Related Party Transaction”, “close members of the family of a person” and, in relation to an entity, “control” or “joint control”, and the purposes for which this information will be used and disclosed.

I permit the Manager of Finance and Administration and the other permitted recipients specified in Council’s Related Party Disclosure Policy to access the register of interests in relation to me and persons related to me and to use the information for the purposes specified in that policy.

Signature of named Key Management Person: Julie Smith

Dated: 30 June 2017

Appendix C – Related Party Register



RELATED PARTY REGISTER

Name	Relationship	Nature of Transactions	Terms and Conditions	Reference - Supporting Evidence