

## POLICY REGISTER

### RELATED PARTY DISCLOSURES

<b>POLICY REFERENCE NUMBER:</b>		<b>POL 1.28</b>	
<b>Original publication date</b>		<b>2017</b>	
<b>Revision number</b>	<b>Issue Date</b>	<b>Approved</b>	<b>Approval date</b>
0	26 April 2017	Res: 17/61	26 April 2017
<p>This document is to be reviewed once every Council term. Next review date: April 2021</p>			
<b>RESPONSIBLE OFFICER</b>		Manager Corporate Services	

## PART 1: INTRODUCTION

### 1.1 Purpose

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Riverina Water County Council (Council) to achieve compliance with *AASB124 - Australian Accounting Standard 124 Related Party Disclosures*. The Standard ensures that Council's financial statements contain 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 transactions with them.

### 1.2 Scope of Policy

This policy shall apply to Related Parties of Council and Related Party Transactions.

### 1.3 Legislative Context

- Local Government Act 1993;
- Local Government (General) Regulation 2005;
- AASB124 Related Party Disclosures;
- Policy 1.15 Public Access to Information
- Policy 1.20 Privacy

### 1.4 Definitions

Refer to Attachment 6 of this policy.

## **PART 2: POLICY PROVISIONS**

### **2.1 Policy Statement**

Council will 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.

### **2.2 Related Party Relationships**

Council will identify any entities and Key Management Personnel (KMP) that fall within the definition of a related party.

### **2.3 Related Party Transactions**

Key Management Personnel must provide a KMP Notification form, 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, to the Manager Corporate Services. Notification forms must be provided no later than 14 July each year, for the previous financial year.

The notification requirement above does not apply to:

- a) Related party transactions that are transactions in common with the general public, not assessed as being material (eg. Water Rates); and
- b) For Councillors, expenses incurred and facilities provided to a Councillor during the financial year, under Council's Councillor Expenses and Facilities Policy, the particulars of which are contained in Council's Annual Report.

### **2.4 Required Disclosures & Reporting**

AASB124 provides that Council must disclose the following financial information in its financial statements for each financial year:

- a) *Disclosure of any related party relationship* – must disclose in the annual financial statements its relationship with any related parties or subsidiaries (where applicable), whether or not there have been transactions within the relevant reporting period.
- b) *KMP Compensation Disclosures* – must disclose in the annual financial statements KMP for each of the following categories of compensation in total:
  - a. Short-term employee benefits
  - b. Post-employment benefits
  - c. Other long-term benefits
  - d. Termination benefits

### **2.5 Related Party Transaction Disclosures**

Council must disclose all material and significant Related Party Transactions in its annual financial statements. Disclosures shall include:

1. The nature of the related party relationship; and
2. Information about transactions and outstanding balances including:
  - a. The amount of the transactions;
  - b. 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;
  - c. Provisions for doubtful debts related to the amount of outstanding balances; and
  - d. The expense recognised during the period in respect of bad or doubtful debts due from related parties.

Related Party Transactions that are to be disclosed if they are of a material and significant nature include, but not limited to:

- a) Purchases or sales of goods;
- b) Purchases or sales of property and other assets;
- c) Rendering or receiving of services;

- d) Leases;
- e) Settlement of liabilities on behalf of Council or by Council on behalf of the related party;
- f) Quotations and/or tender; and
- g) Commitments.

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

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

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

All transactions involving Related Parties will be captured and reviewed to determine materiality and significance.

## **2.6 Information Privacy**

- Information (including personal information) provided by a KMP in a notification form is classified as confidential and is not available for inspection or disclosure to the public, including a GIPA request.
- A GIPA request for access to information about a KMP Notification will be refused on the grounds that the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest.
- Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a Notification by a KMP, 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 Notification:
  - KMP for information about themselves;
  - Officers of Council's Corporate Services Department responsible for maintaining related party information and preparing financial reports;
  - Members of Council's audit committee;
  - Auditors of Council.

## ATTACHMENT 1

### Related Party Factsheet

#### 1. Why we are doing this?

The Australian Accounting Standards Board extended the scope of Australian Accounting Standard AASB 124 *Related Party Disclosures* (AASB 124) to include not-for-profit public sector entities.

All public sector entities will be required to disclose related party transactions and outstanding balances in their annual financial statements, in the same way as for-profit public sector and private sector entities. For not-for-profit public sector entities, these requirements apply from the annual financial reporting period beginning 1 July 2016.

This will mean that every NSW public sector entity will need to disclose, in their annual financial statements, 'material' transactions and balances outstanding with:

- Key Management Personnel (KMP)
- Close family members of KMP, and
- Entities controlled/jointly controlled by KMP or their close family members

The notification form has been developed to enable compliance with AASB 124 disclosure requirements.

#### 2. What information will be collected?

This notification requires each KMP to:

- Provide details of relationships with close family members, and entities controlled/jointly controlled by yourself and/or your close family members; and
- Answer questions aimed at:
  - a. Understanding the types of transactions:
    - Each KMP and/or
    - Close family members of the KMP and/or
    - Entities controlled/jointly controlled by the KMP or close family members may have entered into with Riverina Water County Council during the year.
  - b. Identify outstanding balances at year end involving Riverina Water County Council and the KMP/their close family member/controlled or jointly controlled entities.

You will not be required to provide information about transactions that are 'in common with the general public'. This includes Water Rates on properties you own, that are not material.

If you have answered 'yes' to any of the questions in Attachment 3, you will need to provide further details about each transaction.

This notification will require you to declare that the information provided is accurate and complete to the best of your knowledge. It will also require you to ask your close family members about their activities with Riverina Water County Council.

Where you have disclosed information in the notification relating to a family member, he/she will need to consent to the provision of information. To demonstrate their consent, each family member mentioned in the notification will need to complete and sign the consent form at Attachment 5. The form should be returned along with the rest of the notification.

#### 3. Notification process

Any person who was a KMP at any time between 1 July and 30 June each year is to complete and return the notification form by 14 July for the previous financial year.

The notification should be returned to the Manager Corporate Services at the Administration Building, 91 Hammond Ave, Wagga Wagga.

#### **4. How the information provided is used**

Not all information provided in the certificate will be disclosed in the financial statements. This is because the accounting standards require entities to disclose only 'material' related party transaction and outstanding balances. Materiality is subject to professional judgement and goes beyond the dollar value of the transactions/balance.

Further information provided might be incorporated into disclosures that aggregate a number of transactions, rather than disclosed separately.

The notification requests disclosure of all known transactions with Riverina Water County Council during the period covered by the notification. If you are unsure whether a close family member or a controlled/jointly controlled entity has had transactions with Riverina Water County Council, *we strongly recommend* you include their details in the notification for completeness.

Due to the sensitive nature of collected information, a secure process will be in place to:

- Review, assess and filter the information provided; and
- Maintain confidentiality of the information



**ATTACHMENT 3**

**KMP – Notification for 1 July 20\_\_ to 30 June 20\_\_**

Please complete the following table to the best of your knowledge. If you are unsure whether a close family member or a controlled/jointly controlled entity had transactions with Riverina Water County Council, *we strongly recommend* you include their details for completeness. If you answer 'yes to any of these questions, please complete Attachment 4. For clarification of definitions, please refer to Attachment 6 - Definitions.

	QUESTION	QUESTION RESPONSE		KMP SIGN-OFF
		Yes	No	
	<b>During the stated period, in respect of Riverina Water:</b>			
<b>1</b>	Were any of your close family members employed in a senior position?			
<b>2</b>	Did you/a close family member/any entity controlled/jointly controlled by you and/or a close family member have any transaction or arrangement on terms or conditions that were more favourable than those entered into at an arm's length?			
<b>3</b>	Did you/a close family member/an entity controlled or jointly controlled by you and/or close family member receive any grants, subsidies, ex-gratia payments or loans?			
<b>4</b>	Did you/a close family member/an entity controlled or jointly controlled by you and/or a close family member have any debts forgiven or partially forgiven?			
<b>5</b>	Did you/a close family member/an entity controlled or jointly controlled by you/or a close family member provide or receive any collateral, guarantee indemnity or commitment?			
<b>6</b>	Did you/a close family member/an entity controlled or jointly controlled by you and/or a close family member enter into any contractual arrangements to purchase, sell, lease or transfer assets and licenses; or to provide, purchase or transfer goods and services with a total contract value greater than \$10,000 (ex GST)?			
<b>7</b>	Are there any outstanding balances above \$10,000 (ex GST) brought forward from a transaction or arrangement entered into prior to 1 July 2016, between you/a close family member/any entity controlled/jointly controlled by you and/or a close family member and Riverina Water County Council?			

**ATTACHMENT 4**

**Transactions for 1 July 20\_\_ to 30 June 20\_\_**

Please complete the table below for each individual transaction that has, or may have, occurred during the stated period; and outstanding balances brought forward from previous financial years that are still outstanding. If you are unsure of the transaction *we strongly recommend* that you include them in the table for completeness. Where you are unsure please state that you are unsure. If additional space is required, please insert additional pages.

	<b>Transaction 1</b>	<b>Transaction 2</b>	<b>Transaction 3</b>
<p><b>Type of transaction</b>  <i>Please provide details and nature of the transaction. Example of types of transactions:</i></p> <ul style="list-style-type: none"> <li>• <i>Employment</i></li> <li>• <i>Provision of goods or services</i></li> <li>• <i>Purchase, sale or transfer of property, other assets or licenses</i></li> <li>• <i>Leasing arrangement</i></li> <li>• <i>Provision of guarantee or collateral</i></li> <li>• <i>Settlement of liabilities</i></li> <li>• <i>Outstanding balance brought forward from previous financial year</i></li> </ul>			
<p><b>Is the transaction/outstanding balance directly between you and Riverina Water County Council?</b> Yes / No</p>			
<p><b>If not, please provide details of the related party, their relationship with you, and Riverina Water County Council involved</b>  <i>Please include person's name / entity name and ABN, relationship with person / entity</i></p>			
<p><b>Transaction Amount for the Financial Year (ex GST)</b></p>			
<p><b>Total Agreed / Contracted Amount (if extends beyond financial year) (ex GST)</b></p>			
<p><b>Terms and Conditions of the Transaction</b>  <i>Please provide details of the significant terms and conditions including whether it is secured, and the nature of the consideration to be provided in settlement</i></p>			

**ATTACHMENT 5**

**KMP DECLARATION**

**KMP SIGN-OFF AND DECLARATION:** I have made inquiries of my close family members and to the best of my knowledge, the information provided in this Notification is complete and accurate for the period 1 July 20\_\_ to 30 June 20\_\_. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of Riverina Water County Council.

Signed: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**CLOSE FAMILY MEMBERS – CONSENT FORM**

*(to be completed by each family member whose information is disclosed in this questionnaire. If additional copies of the form are required, please make copies for each close family member)*

I authorise Riverina Water County Council to provide personal information about me in respect of transactions between me, or entities controlled / jointly controlled by me, and Riverina Water County Council.

For the purposes of s26(2) of the Privacy and Personal Information Protection Act 1998, I hereby consent to Riverina Water County Council collecting, using and disclosing my personal information for the purpose of meeting its financial reporting obligations.

Signed: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

## ATTACHMENT 6

### Definitions<sup>1</sup>

Definition
<b>AASB 124</b> Australian Accounting Standard 124 Related Party Disclosures
<b>Close members of the family of a person</b> are those family members who may be expected to influence, or be influenced by, your dealings with Riverina Water County Council, including: a) your children and spouse or domestic partner b) children of your spouse or domestic partner c) dependants of yourself or your spouse or domestic partner.
<b>Compensation</b> includes all employee benefits (as defined in AASB 119 'Employee Benefits'). Employee benefits are all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered to the entity. It also includes such consideration paid on behalf of a parent of the entity in respect of the entity. Compensation includes: a) short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit-sharing and bonuses (if payable within twelve months of the end of the reporting period) and non-monetary benefits (such as medical care, housing, cars and free or subsidised goods or services) for current employees b) post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care c) 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 reporting period, profit-sharing, bonuses and deferred compensation d) termination benefits The terms 'compensation' used in AASB 124 and 'remuneration' used in the <i>Corporations Act 2001</i> are interchangeable.
<b>Control</b> is defined by AASB 10 as the exposure, right or ability to affect variable returns through the exercise of power.
<b>Director</b> means: a) a person who is a director under the Corporations Act b) in the case of entities governed by bodies not called a board of directors, a person who, regardless of the name that is given to the position, is appointed to the position of member of the governing body, council, commission or authority.
<b>Entity is controlled or jointly controlled</b> typically when you and/or any close family members exercise effective control (whether singularly or combined) through the shareholding and/or voting power in the entity. Examples of entities controlled or jointly controlled by you and/or any close family members could be: <ul style="list-style-type: none"><li>• A company where you and/or close family members control more than 50% of the voting power</li><li>• A company where you have a 30% shareholding and your spouse has a 30% shareholding</li><li>• A company where you have a 40% shareholding and the remaining shareholding is widely dispersed</li><li>• A partnership of two people where your spouse is one of the partners</li><li>• A superannuation fund self-managed by you or your spouse (including through a corporate trustee)</li></ul> Examples of entities not controlled or jointly controlled by you and/or any close family members could be:

<sup>1</sup> These definitions are taken from AASB 124 effective for reporting periods starting on or after 1 July 2016.

## Definition

- A company where you have a 25% shareholding and your spouse has a % shareholding
- A partnership of three people where your spouse is one of the partners
- A large consultancy practice with multiple partners where your son is a partner
- Blind trusts

**Key management personnel (KMP)** person(s) having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. Specifically, KMP of Council includes the Chairperson, Councillors, the General Manager and Director of Engineering. 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.

**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, Council will utilise \$10,000 as the threshold for materiality.

**Related party transaction** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. Following are examples of transactions that must be disclosed if they are with a related party:

- a) purchases or sales of goods (finished or unfinished)
- b) purchases or sales of property and other assets
- c) rendering or receiving of services
- d) leases
- e) transfers of research and development
- f) transfers under licence agreements
- g) transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- h) provision of guarantees or collateral
- i) commitments to do something if a particular event occurs or does not occur in the future
- j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

**Related party** a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

- a) 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 over the reporting entity
  - ii) has significant influence over the reporting entity
  - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions applies:
  - i) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
  - ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
  - iii) both entities are joint ventures of the same third party
  - iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity
  - v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity

## Definition

- vi) the entity is controlled or jointly controlled by a person identified in a)
- vii) a person identified in a) i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
- viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

**Senior position** is any person employed (permanent or temporary) as a 'General Manager or Other Senior Staff' under the *Local Government Act 1993* (or equivalent legislation) anytime during the financial year.

**Significant influence** is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

**Transactions in common with the general public** are excluded from this notification. These transactions are where you and/or close family members interact with Riverina Water County Council under the same terms and conditions as a public citizen in respect of transactions in the normal course of Riverina Water County Council delivering its normal public service objectives. Examples of transactions common to the general public include non-material Water Rates on properties you own.