

# Kyogle Council

## DRAFT RELATED PARTY DISCLOSURE POLICY



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## Table of Contents

1	OBJECTIVES .....	3
2	VALIDITY .....	3
3	LEGISLATIVE AND REGULATORY REQUIREMENTS .....	3
4	RELATED POLICIES AND PLANS .....	3
5	DEFINITIONS.....	3
5.1	Related Parties .....	3
5.2	Related Party Transaction.....	3
5.3	Key Management Personnel (KMP) .....	3
5.4	Close Family Members.....	3
5.5	KMP Compensation .....	3
5.6	Arms Length Transaction .....	4
5.7	Ordinary Citizen Transactions .....	4
5.8	Normal Terms and Conditions.....	4
5.9	Control .....	4
5.10	Joint Control.....	4
5.11	Significant influence .....	4
5.12	Responsible Accounting Officer .....	4
5.13	Material transaction.....	4
6	POLICY STATEMENT.....	4
7	RELATED PARTIES.....	4
7.1	Identification of Key Management Personnel (KMP) .....	4
7.2	Identification of Related Parties.....	5
7.3	Related parties of Council .....	5
8	ANNUAL REVIEW OF RELATED PARTIES.....	5
9	RELATED PARTY TRANSACTIONS .....	5
9.1	Types of Transactions.....	5
9.2	Materiality of Transactions .....	6
9.3	Ordinary Citizen Transactions .....	6
9.4	Identification of all Related Party Transactions.....	6
10	REQUIRED DISCLOSURES AND REPORTING.....	7
11	INFORMATION PRIVACY.....	7
11.1	Confidential.....	7
11.2	Storage of information.....	7
11.3	When Consent is Required .....	7
11.4	Permitted Recipients and Permitted Purposes .....	8
11.5	Government Information (Public Access) [GIPA] Status.....	8
APPENDIX 1 – Examples of common related parties of Council.....		9
APPENDIX 2 - Related Party Declaration .....		10
APPENDIX 3 - Related Entities Declaration.....		11

## 1 OBJECTIVES

To ensure the existence of related party relationships, related party transactions and information about the transactions, are transparent, recorded in Council's systems, and disclosed in Council's General Purpose Financial Statements to achieve compliance with AASB 124, the Privacy and Personal Information Protection Act 1998 [PPIPA] and the Government Information (Public Access) Act 2009 [GIPAA].

## 2 VALIDITY

This policy obtains its validity from Council resolution **110917/14**.

## 3 LEGISLATIVE AND REGULATORY REQUIREMENTS

- Local Government Act 1993 and Local Government (General) Regulation 2005
- Accounting Standard AASB 124 July 2015 Related Party Disclosures
- Accounting Standard AASB 10 August 2011 Consolidated Financial Statements
- Accounting Standard AASB 11 August 2011 Joint Arrangements
- Privacy and Personal Information Protection Act 1998 [PPIPA]
- Government Information (Public Access) Act 2009 [GIPAA]

## 4 RELATED POLICIES AND PLANS

- Access to Information policy
- Conflicts of Interests policy
- Code of Conduct

## 5 DEFINITIONS

### 5.1 Related Parties

Related parties are entities related to Council, key management personnel and close family members of key management personnel of Kyogle Council.

### 5.2 Related Party Transaction

A 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.

### 5.3 Key Management Personnel (KMP)

People that have authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly.

KMP includes;

- the Mayor,
- Councillors,
- the General Manager,
- Directors

### 5.4 Close Family Members

Close family members are people who can be expected to influence or be influenced by key management personnel. This includes but is not limited to spouse or partner, children and dependents, children and dependents of spouse or partner and parents, grandparents and other family members. Other family members that would expect to influence or be influenced by key management personnel need to be included as close family members.

### 5.5 KMP Compensation

All forms of consideration paid, payable or provided in exchange for services provided.

Compensation categories include:-

- Short Term Employment Benefits
- Post Employment Benefits
- Other Long Term Benefits, and
- Termination Benefits.

## **5.6 Arms Length Transaction**

A transaction between two related parties that is conducted as if they were unrelated, so there is no question of conflict of interest.

## **5.7 Ordinary Citizen Transactions**

Transactions that are made at arm's length between Council and key management personnel and their close family members that an ordinary citizen of the community would transact with the Council. This includes but is not limited to payment of rates for properties owned by the key management personnel.

## **5.8 Normal Terms and Conditions**

The standard rules governing transactions between Council and all external bodies. These can be governed by policies, legislation or accepted business practices.

## **5.9 Control**

Is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

## **5.10 Joint Control**

Is the contractually agreed sharing of control over an economic activity.

## **5.11 Significant influence**

Is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

## **5.12 Responsible Accounting Officer**

A position of Council with regulatory responsibilities, as described in the Local Government (General) Regulation 2005, currently filled by the Manager Financial Services.

## **5.13 Material transaction**

Transactions assessed as material, given the definitions on page 5 including: significant in terms of size; carried out on non-market terms; outside normal day-to-day business operations; disclosed to regulatory or supervisory authorities; reported to senior management.

# **6 POLICY STATEMENT**

Related Party relationships are a normal feature of business. Related parties may enter into transactions that unrelated parties would not. Therefore a related party relationship has potential to have an effect on the profit or loss and financial position of Council.

In addition, the profit or loss and financial position of an entity 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.

Council will exercise compliance with the disclosure requirements of AASB 124 by executing the following steps;

- a) identifying related party relationships and transactions;
- b) identifying outstanding balances, including commitments, between an entity and its related parties;
- c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- d) determining the disclosures to be made about those items.

# **7 RELATED PARTIES**

## **7.1 Identification of Key Management Personnel (KMP)**

KMP for Kyogle Council are considered to include:-

- the Mayor,
- Councillors,
- the General Manager,

- Directors

## 7.2 Identification of Related Parties

A person or entity is considered a related party of Council if any of the following conditions apply:-

- a) They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
- b) They are an associate or belong to a joint venture of which Council is part of
- c) They and Council are joint ventures of the same third party
- d) They are part of a joint venture of a third party and council is an associate of the third party
- e) They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.
- f) They are controlled or jointly controlled by close or possibly close members of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council.
- g) They are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council.
- h) They, or any member of a group which they are a part, provide KMP services to Council.

## 7.3 Related parties of Council

- a) Entities related to Council;
- b) KMP of Council;
- c) Close family members of KMP;
- d) Possible close family members of KMP; and
- e) Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

Please see Appendix 1 for examples of common related parties of council.

KMP's will identify all entities that are controlled or jointly controlled by close family members through the self-assessment process. Should uncertainties or any other contentious issues arise during this process the KMP's are responsible for discussing this with Council's Responsible Accounting Officer who can consult Council's external auditor for clarification if necessary.

## 8 ANNUAL REVIEW OF RELATED PARTIES

A review of KMP's and their related parties will be completed at the beginning of each Financial Year. Whereby the identified KMP's will be required to complete the Related Party Declaration (see Appendix 2) by 31 July and present this to Council's Responsible Accounting Officer.

The method for identifying the close family members and associated entities of KMP will be by KMP self-assessment. KMP are responsible for informing the Responsible Accounting Officer when any changes to those related parties occur.

Particular events, such as a change in Councillors, General Manager or Directors, will also trigger a review of Council's related parties immediately following such an event.

Council's Responsible Accounting Officer will be responsible for identifying Council subsidiaries, associates and joint ventures.

Council's Responsible Accounting Officer will maintain a register of all declared and identified related parties.

## 9 RELATED PARTY TRANSACTIONS

### 9.1 Types of Transactions

The following are some examples of related party transactions to be disclosed:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving services;
- Leases;
- Quotations and/or tenders;
- Commitments;
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party;
- Grants and subsidy payments made to associated entities of Council;
- Non-monetary transactions; and
- Compensation made to key management personnel and their close family members.

## 9.2 Materiality of Transactions

AASB 124 grants Council discretion to use judgement when determining the level of detail to be disclosed in the financial statements. It should be noted that Materiality is not simply determined by the value of a transaction, many other factors are considered.

As well as considering the closeness of the related party relationship other factors to be considered, when assessing related party transactions, are;

- significant in terms of size;
- carried out on non-market terms;
- outside normal day-to-day business operations, such as the purchase and sale of businesses;
- disclosed to regulatory or supervisory authorities;
- reported to senior management;
- subject to shareholder approval.

## 9.3 Ordinary Citizen Transactions

Ordinary citizen transactions are those made at arm's length between Council and related parties that an ordinary citizen of the community would transact with the Council.

Examples of these are rates payments for properties owned by the related party and dog registration payments.

Transactions deemed to be ordinary citizen transactions will not typically be required to be disclosed in the annual financial report.

Transactions between Council and related parties that would normally be considered to be ordinary citizen transactions but where the terms and conditions differ from normal practice will not be considered to be an ordinary citizen transaction for the purposes of this policy. These will be disclosed in Council's annual financial statements in the related party disclosure.

Please note that KMP's are still required to notify the Responsible Accounting Officer of these transactions via the process outlined below and the determination of whether or not disclosure is required is vested with the Responsible Accounting Officer.

Should uncertainties or any other contentious issues arise during this process the KMPs are responsible for discussing this with Council's Responsible Accounting Officer who can consult Council's external auditor for clarification if necessary.

## 9.4 Identification of all Related Party Transactions

All related party transactions will be captured to allow a full assessment of transactions that are to be included in the related party disclosure per the disclosure requirements contained in AASB 124.

This will also allow Council's external auditors to perform a full analysis of the entire process that results in the related party transaction disclosure.

All KMP will be required to complete and submit a Related Party Transaction Declaration (Appendix 3) to the Responsible Accounting Officer, a notification advising of any known related party transactions that have occurred in the past 12 month period and any related party transactions that have the potential of occurring in the next 12 month period. A Nil notification will

be required to be submitted to the Responsible Accounting Officer if no transactions are required to be reported.

These notifications will be due to the Responsible Accounting Officer by the 31 July.

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 related parties of a KMP and of persons related to the KMP;
- b) Council's pecuniary interest returns;
- c) Minutes of Council and committee meetings;
- d) Council's Contracts' Register.

Council's Responsible Accounting Officer will maintain a register of all declared and independently identified related party transactions.

## **10 REQUIRED DISCLOSURES AND REPORTING**

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

1. *Disclosure of any material related party transactions* – if there have been material transactions between related parties, Council must disclose the nature of the relationship with the related party, as well as sufficient information about the transactions and outstanding balances, including commitments, necessary for users to understand the potential effect of the relationship on the financial statements.

2. *KMP Compensation Disclosures* – must be disclosed in the financial statements, KMP compensation in total for each category.

If an elected member or staff member is affected by the related party disclosure they will be given a copy of the disclosure for comment before the external audit is finalised. All comments will be considered however any deviations from the standard policy will not be included in the final disclosure. The General Manager will give the final approval of what will be contained in the disclosure.

## **11 INFORMATION PRIVACY**

### **11.1 Confidential**

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

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

### **11.2 Storage of information**

Declarations and registers will be maintained within a secure and confidential location of Council's records management system.

### **11.3 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.

#### **11.4 Permitted Recipients and Permitted Purposes**

For the purpose of this policy 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 declared related parties and/or related party transactions:

- a) the General Manager;
- b) the Responsible Accounting Officer;
- c) Public Officer;
- d) an Auditor of Council (including an Auditor from the NSW Auditor General's Office);

For the purpose of this policy any person specified above may access, use and disclose information (including personal information) in a related party disclosure or contained in a register of declared related parties and/or related party transactions for the following purposes:

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

#### **11.5 Government Information (Public Access) [GIPA] Status**

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.

The following GIPAA applications will be refused on the grounds that the document or information, comprises information for which there is an overriding public interest against disclosure pursuant to Section 14 of GIPAA:

- 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;

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



## APPENDIX 1 – Examples of common related parties of Council

Examples of common related parties of Council	
Likely to be a Related Party of council	May be a Related Party of council
Councillors (including the Mayor)	Senior staff (if they are KMP they are a related party)
General Manager (GM)	Other family members of the Councillors, GM and senior staff that are KMP (if the family member may be expected to influence, or be influenced by, that person in their dealings with Council, then they are a related party)
Children of the Mayor, Councillors and the GM	
Spouse/Domestic Partners of the Mayor, Councillors and the GM	
Dependents of the Mayor, Councillors and the GM	
Dependents of a Spouse/Domestic partner of the Mayor, a Councillor or the GM	
Children of a senior staff member that is a KMP	
Spouse/Domestic partners of a senior staff member that is a KMP	
Dependents of a senior staff member that is a KMP	
Dependents of a Spouse/Domestic partner of a senior staff member that is a KMP	
Entities that are controlled or jointly controlled by Council, a KMP or their close family member.	

*Disclaimer: This list contains a list of common related parties of council, however there may still be relationships not identified in this list that will meet the definition of a related party.*

## APPENDIX 2 - Related Party Declaration

KMP  
Address  
Address

Dear KMP

### RE: RELATED PARTY TRANSACTIONS AND DISCLOSURES – KYOGLE COUNCIL

To meet the requirements to disclose related party transactions in the financial statements for the year ended 30 June 2017 in accordance with AASB 124 Related Party Disclosures, Council requests that you complete the following information and provide additional details where applicable. Please also review Annexure 1 attached to assist in the determination of potential related parties

#### 1. Close family members of Key Management Personnel ( including Councillors )

Close family members are those family members who may be expected to influence, or be influenced by you in their dealings with the Council and can include businesses they own or operate and companies they have shares in.

Name of Close Family Member / Business Name	Relationship to You

### APPENDIX 3 - Related Entities Declaration

Related parties include entities you have control and / or significant influence over their operations. Related parties can include entities you hold a directorship in, a significant number of shares or units in, and companies or businesses you own or operate.

Entity Name	Your Relationship with the Entity (owner, significant shareholder, partner etc.)

Please also sign the confirmation statement at the foot of this letter and return entire document to Kyogle Council no later than 30 June 2016.

We thank you for your assistance in this matter.

Yours faithfully

Graham Kennett  
General Manager

#### Confirmation Statement

I confirm that all related party details as attached are complete and represent an accurate account of my relations with Kyogle Council.

.....  
KMP

.....  
Date