Murrumbidgee
COUNCIL

Related Party Disclosures Policy

	Name	Position	Signature	Date
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1. POLICY STATEMENT

The Related Party Disclosure Policy aims to assist Murrumbidgee Council in complying with disclosure requirements concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them stipulated under the *Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities* (**AASB 124**).

2. SCOPE

This policy is to be applied in:

2.1 identifying related party relationships; related party transactions, and ordinary citizen transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them; and

2.2 identifying information about the related party transactions for disclosure;

2.3 establishing systems to capture and record the related party transactions and information about those transactions;

2.4 identifying the circumstances in which disclosure of the items in paragraphs 2.1 and 2.2 are required;

2.5 determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB 124.

3. POLICY OBJECTIVES

The objective of the policy is to ensure that the existence of certain related party relationships and related party transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them, and information about the transactions, necessary for users to understand the potential effects on the financial statements are properly identified, recorded in Council's systems , and disclosed in Council's general purpose financial statements in compliance with the AASB 124, the *Privacy and Personal Information Protection Act 1998 and the Personal Information Protection Regulation 2014.*

4. BACKGROUND AND/OR PRINCIPLES

The Local Government Act (1993) and Regulation requires Council to prepare its general purpose financial statements in compliance with Australian Accounting Standards, specifically relevant for the purpose of this policy, the AASB 124.

5. AASB 124 DISCLOSURE REQUIREMENTS

5.1 Disclosures - Relevant to this policy, to comply with the AASB 124, for annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified in section 5.2 for related party transactions with, amongst others, the following persons during the periods covered by the financial statements:

a) Council's Key Management Personnel;

b) other related parties, comprising:

i. a close family member of a key management person of Council;
ii. entities controlled or jointly controlled by a key management person of Council;
iii. entities controlled or jointly controlled by a close family member of a key management person of Council.

5.2 Disclosed Information – for each category of related party transactions specified in section 5, Council will disclose the following information in Council's general purpose financial statements:

a) the nature of the related party relationship;
b) the amount of the transactions;
c) the amount of 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;
d) provisions for doubtful debts related to the amounts of outstanding balances; and
e) the expense recognized during the period in respect of bad or doubtful debts due from related parties.

5.3 Disclosed in Aggregate or Separate – for each related party category specified in section 5, Council will disclose information specified in section 5.2 for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council, having regard for the following criteria:

a) the nature of the related party relationship;
b) the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
c) whether the transaction is carried out on non-arm's length terms;
d) whether the nature of the transaction is outside normal day to day business operations;

based on the factors and thresholds determined by the Responsible Accounting Officer in consultation with the General Manager and Council's Audit Committee.

6. IDENTIFYING RELATED PARTY TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL (KMP) AND THEIR CLOSE FAMILY MEMBERS

6.1 **Related Party Transactions Notifications** - Key management personnel (***KMP***) must provide a Related Party Transactions 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 of their close family members, subject to section 6.6, to the General Manager by no later than the following periods during a financial year (***specified notification period***):

a) 30 days after the commencement of the application of this policy;
b) 30 days after a KMP commences their term or employment with Council;
c) 30 November;
d) 30 June.

6.2 **RPT Notification Form** - At least 30 days before a specified notification period, the Responsible Accounting Officer will provide KMPs with a RPT Notification Form and a Privacy Collection Notice as set out in **Attachment B.**

6.3 **Additional RPT Notifications** - During a financial year, if a KMP knows of :

a) any new or potential related party transaction that is required or likely to be required to be disclosed in Council's financial statements; or
b) any change to a previously notified related party transaction (including a change to a related party relationship) ,

the KMP must provide additional RPT Notifications notifying of the new or potential related party transactions or changes, by no later than 30 days after the KMP knows of the transaction or change.

6.4 **Suspected Related Party Transaction** - If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide a RPT Notification to the General Manager for consideration and determination.

6.5 **Other Notifications** - The notification requirements in this section 6 are in addition to the notifications a KMP must make to comply with:

a) Section 449 of the Local Government Act 1993 in relation to the disclosure of interests; and
b) for the Administrator, Councillors, Local Representation Committee Members, General Manager, and other senior executive officers who are KMPs, the Code of Conduct.

6.6 **Exclusions** - The notification requirements in this section 6 do not apply to:

a) related party transactions that are ordinary citizen transactions; and
b) 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.

6.7 **Digital Extraction** -The Responsible Accounting Officer will digitally identify and extract information specified in section 5.2 against each notified related party transaction in Council's computerised business systems for the purpose of recording the related party transactions and associated information in the register of related party transactions.

6.8 **Other Sources of Information** - To ensure all related party transactions are captured and recorded, the Accountant may review other sources of information held by Council including, without limitation:

a) a Disclosure of Interests Return (under s449 of the Local Government Act 1993) of a KMP and of persons related to the KMP;
b) minutes of Council and committee meetings.

6.9 **Manual Investigation and Recording of Information** - For notified related party transactions that are not captured by Council's computerised business systems, the Responsible Accounting Officer will manually review the transactional documentation and record the information specified in section 5.2 for the subject transaction in the register of related party transactions.

7. ORDINARY CITIZEN TRANSACTIONS (OCT)

A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions, so long as the terms and conditions are no different to those available to the general public. If an OCT occurs on terms and conditions that are different to those offered to the general public, the transaction will be captured and, if required, reported in the financial statements.

8. REGISTER OF RELATED PARTY TRANSACTIONS

8.1 **Maintain a Register** - The Responsible Accounting Officer must maintain and keep up to date a register of related party transactions that captures and records the information specified in section 5.2 for each existing or potential related party transaction during a financial year.

8.2 **Contents of Register**- The contents of the register of related party transactions must detail for each related party transaction:

a) the description of the related party transaction;
b) the name of the related party;
c) the nature of the related party's relationship with Council;
d) whether the notified related party transaction is existing or potential;
e) a description of the transactional documents the subject of the related party transaction; and
f) the information specified in Section 5.2.

8.3 The Responsible Accounting Officer is responsible for ensuring that the information specified in section 5.2 is disclosed in Council's financial statements to the extent, and in the manner, stipulated by AASB 124, subject to section 5.3.

9. INFORMATION PRIVACY

9.1 **Confidential** -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) Act (GIPA) application:

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

9.2 **When Consent Required** - 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.

9.3 **Permitted Recipients** - 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 section 9.4:

a) a Councillor;
b) the General Manager;
c) the Responsible Accounting Officer being responsible for the preparation of financial reports;
d) financial officers within Council's finance department responsible for the preparation of financial reports authorised by the Responsible Accounting Officer;
e) members of Council's Audit Committee;
f) an auditor of Council (including an auditor from the Audit Office of New South Wales).

9.4 **Permitted Purposes** - A person specified in section 9.3 may access, use and disclose information (including personal information) in a RPT Notification or contained in a register of related party transactions for the following purposes:

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

9.5 An individual may access their personal information provided by a KMP in a RPT Notification or contained in a register of related party transactions in accordance with Council's Privacy Management Plan.

10. GOVERNMENT INFORMATION (PUBLIC ACCESS) [GIPA) STATUS

10.1 **No Public Inspection** - The following documents are not open to or available for inspection by the public:

a) RPT Notifications provided by a KMP; and
b) a register of related party transactions.

10.2 **Not GIPA-accessible** - A GIPA application seeking access to or release of:

a) a document or information (including personal information) provided by a KMP in a RPT Notification; or
b) personal information contained in a register of related party transactions;

will be refused on the grounds the document or information comprises information for which there is an overriding public interest against disclosure pursuant to Section 14 of the *Government Information (Public Access) Act.*

10.3 **Transactional Documentation** - A GIPA application seeking access to and 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.*

11. DEFINITIONS

Each of the following expressions in bold to the left bears the meaning shown opposite:

arm's length terms	Terms between parties that are reasonable in the circumstances of the transaction that would result from: (a) neither party bearing the other any special duty or obligation; and (b) the parties being unrelated and uninfluenced by the other; and (c) each party having acted in its own interests
associate	In relation to an entity (the first entity), an entity over which the first entity has significant influence.
close family members or close members of the family	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: (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 souse or domestic partner. For the purpose of the 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 key management person in their dealings with Council.

control	Control of an entity is present when there is: (a) power over the entity; and (b) exposure or rights to variable returns from involvement with the entity; and (c) the ability to use power over the entity to affect the amount of returns received; as determined in accordance with AASB 10 *Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance)*.
joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
joint venture	An arrangement of which 2 or more parties have joint control and have rights to the net assets of the arrangement.
joint venturer	A party to a joint venture that has joint control of that joint venture.
key management personnel or key management person or KMP	Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are: (a) the Mayor/Administrator (b) Councillors/Local Representation Committee Members (c) General Manager (d) the Assistant General Managers of each department
ordinary citizen transaction	Transactions that an ordinary citizen would undertake with Council, which are undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature are: (a) paying rates and annual charges (b) using Council's public facilities after paying the corresponding fees.
related party	A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9. Examples of related parties of Council are: (a) Council subsidiaries (if applicable); (b) key management personnel; (c) close family members of key management personnel; (d) entities that are controlled or jointly controlled by key management personnel or their close family members.
related party transaction	A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged. Examples of related party transactions are: (a) purchases or sales of goods; (b) purchases or sales of property and other assets; (c) rendering or receiving of services; (d) rendering or receiving of goods; (e) leases; (f) transfers under licence agreements; (g) transfers under finance arrangements (e.g. loans); (h) provision of guarantees (given or received); (i) commitments to do something if a particular event occurs or does not occur in the future; G) settlement of liabilities on behalf of Council or by Council on behalf of that related party.
related party transactions notification or **RPT** Notification	A document entitled *Related Party Transactions Notification provided by Key Management Personnel* in the form set out in Attachment A.
significant influence	The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard AASB 128 *Investments in* Associates *and Joint Ventures, paragraphs 3, 5 and 6.*

12. LEGISLATIVE REFERENCE

Local Government Act 1993 and Regulation
Accounting Standard AASB 124 Related Party Disclosures
Privacy and Personal Information Protection Act 1998
Privacy and Personal Information Protection Regulation 2014
Government Information (Public Access) Act 2009

13. RELATED POLICIES/PROCEDURES

Code of Conduct
Privacy Management Policy
Payment of Expenses and Provision of Facilities Policy

14. APPLICATION DATE OF POLICY

This policy applies retrospectively with effect on and from 1 July 2017.

15. NEXT REVIEW

This policy will be reviewed when any of the following occurs:

1. The related legislation/documents are amended or replaced;
2. Other circumstances as determined from time to time by a resolution of Council;
3. Periodic review – 3 years from date of adoption.

16. REFERENCES

1. For example, the AASB 124 also requires disclosure of related party transactions with Council subsidiaries, entities who are associates of Council or of a Council subsidiary, and joint ventures in which Council or a Council subsidiary is a joint venture;
2. See AASB 124, paragraphs 18 to 24;
3. The definition of "close members of the family of a person" as contained in AAB 124 is broader than the definition of "related" in relation to a person for the purpose of disclosure of interests under Section 449 of the Local Government Act.

ATTACHMENT A

Murrumbidgee
COUNCIL

RELATED PARTY TRANSACTIONS NOTIFICATION
BY KEY MANAGEMENT PERSONNEL

Name of Key Management Person: .....

Position of Key Management Person: .....

Please read the Privacy Collection Notice provided with this notification, which explains what is a related party transaction, the purpose for which Council is collecting the information, and how Council will use and disclose the related party information provided in this notification.

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

a) Has previously entered into and which will continue in the 2017/18 financial year;

b) Has entered into, or is reasonably likely to enter into, in the 2017/18 financial year.

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

Notification

I _____ _____ notify
(full name) (position)
that, to the best of my knowledge, information and belief, as at the date of this notification, the above list includes all existing and potential related party transactions with Murrumbidgee Council involving myself, close members of my family, or entities controlled by me or close members of my family, relevant to the 2017/18 financial year.

I make this notification after reading the Privacy Collection Notice provided by Murrumbidgee 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 Responsible Accounting Officer 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: _____

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

ATTACHMENT B

PRIVACY COLLECTION NOTICE
RELATED PARTY TRANSACTIONS DISCLOSURES
BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual periods beginning on or after 1 July 2017, 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, the 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 the AASB 124, please refer to Council's Related Party Disclosure Policy.

Notifications by Key Management Personnel

In order to comply with the 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, each Key Management Person (a ***KMP)*** must provide a Related Party Transactions Notification, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the General Manager by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this policy;
- 30 days after a KMP commences their term or employment with Council;
- 30 November (each year); and
- 30 June (each year).

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 knows 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:

- for the Administrator/Councillors/Local Representation Committee members, the conflicts of interest obligations in the Local Government Act 1993 and Code of Conduct; and
- for other KMPs, the Code of Conduct; and
- the return disclosing interests required to be kept under section 449 of the Local Government Act 1993.

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

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.

Who are KMPs?

KMPs are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. For Council, KMPs include:

- Mayor/Administrator
- Councillors/Local Representation Committee members
- General Manager
- Assistant General 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 but are not limited to:

a) that person's children and spouse or domestic partner;
b) children of that person's spouse or domestic partner; and
c) dependents of that person or that person's spouse or domestic partner.

The definition of close members of the family of a person for the purpose of the AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a return disclosing interests under Section 449 of the Local Government Act. 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, 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 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 dependents	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
Dependents 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

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 clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

a) power over the entity;
b) exposure, or rights, to variable returns from your involvement with the entity; and
c) 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 notifications.

Joint Control

To jointly control an entity there must be contractually agreed sharing of control of the entity, which exists only when decisions about the 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 the entity's related party relationship with Fred and Stan.

In some cases it will be obvious that your or a family member control of 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.

(End of Privacy Collection Notice)