

Newcastle City Council

Policy

Related Party Disclosure

May 2017

Related Party Disclosure Policy



Policy title	Related Party Disclosure Policy
Policy owner	Manager Finance
Policy expert/writer	Corporate Finance Manager
Prepared by	Finance
Approved by	Elected Council
Date approved	23/05/2017
Commencement Date	23/05/2017
Next revision date (date policy will be revised)	22/09/2020
Termination date	22/09/2021
Version	Version number 1
Category	Financial
Keywords	Related Party, Disclosure, AASB124, Key Management Personnel
Details of previous versions	Nil
Legislative amendments	AASB 124
Relevant strategic direction	Open and Collaborative Leadership
Relevant legislation/codes (reference to specific sections)	<p><i>Local Government Act 1993 (NSW) S.413</i></p> <p><i>Local Government (General) Regulation 2005</i></p> <p><i>Government Information (Public Access) Act 2009</i></p> <p>Australian Accounting Standards AASB 124 - Related Party Disclosures; or</p> <p>AASB 124 – Related Party Disclosures</p>
Related policies/documents	Nil
Related forms	Related Party Declaration
Required on website	No
Authorisations	Nil

Table of Contents

Part A	Preliminary	1
1	Purpose	1
2	Definitions	1
3	Scope	3
4	Principles	3
Part B	Responsibilities	3
5	Key Management Personnel (KMP)	3
6	Finance Business Unit	4
Part C	Access and use	4
7	Collection, use and privacy	4
8	Public access	5

Part A Preliminary

1 Purpose

1.1 The purpose of this policy is to:

- 1.1.1 ensure Council complies with its obligations under s 413 of the *Local Government Act 1993* (this section requires compliance with the Australian Accounting Standards and AASB 124 – Related Party Disclosures) concerning disclosures required to be made by Key Management Personnel (KMP);
- 1.1.2 provide guidance on determining what equates to Related Party Transactions, who are the Related Parties of Council and who are KMPs;
- 1.1.3 provide responsibilities for recording and reporting on Related Party Transactions;
- 1.1.4 ensure that Council's financial statements contain the disclosures necessary to 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.

2 Definitions

2.1 **CEO** means Council's Chief Executive Officer

2.2 **Close Members of the Family** means those family members of KMPs who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- 2.2.1 the person's children and spouse or domestic partner
- 2.2.2 children of that person's spouse or domestic partner
- 2.2.3 dependants of that person or that person's spouse or domestic partner.

2.3 **Compensation** includes all employee benefits (as defined in AASB 119 'Employee Benefits') including employee benefits to which AASB 2 'Share-based Payment' applies. 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 received by Key Management Personnel will be included in Council's General Purpose Financial Statements annually as an aggregate amount. Compensation includes:

- 2.3.1 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
- 2.3.2 post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care
- 2.3.3 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

2.3.4 termination benefits

2.3.5 share-based payment.

The terms 'compensation' used in AASB 124 and 'remuneration' used in the Corporations Act 2001 are interchangeable.

2.4 **Control** is defined by AASB 10 as the exposure, right or ability to affect variable returns through the exercise of power

2.5 **Council** means Newcastle City Council

2.6 **Key Management Personnel (KMP)** means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, specifically those listed at clause 5.

2.7 **Related Party** means 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:

2.7.1 has Control or joint Control over the reporting entity

2.7.2 has significant influence over the reporting entity

2.7.3 is a member of the KMP 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:

2.7.4 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)

2.7.5 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)

2.7.6 both entities are joint ventures of the same third party

2.7.7 one entity is a joint venture of a third entity and the other entity is an associate of the third entity

2.7.8 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

2.7.9 the entity is Controlled or jointly Controlled by a person identified in 2.7 (a)

2.7.10 a person identified in 2.7(a) has significant influence over the entity or is a member of the KMP of the entity (or of a parent of the entity).

2.7.11 the entity, or any member of a group of which it is a part of, provides KMP services to the reporting entity or to the parent of the reporting entity.

2.8 **Related Party Transactions** – following are examples of transactions that must be disclosed by KMPs if they are with a Related Party:

- 2.8.1 purchases or sales of goods (finished or unfinished)
- 2.8.2 purchases or sales of property and other assets
- 2.8.3 rendering or receiving of services
- 2.8.4 leases
- 2.8.5 transfers of research and development
- 2.8.6 transfers under licence agreements
- 2.8.7 transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- 2.8.8 provision of guarantees or collateral
- 2.8.9 commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- 2.8.10 settlement of liabilities on behalf of the entity or by the entity on behalf of that Related Party.

2.9 All other definitions relevant to this policy are set out in section 3 of the Related Party Declaration Notification.

Unless stated otherwise, a reference to a clause is a reference to a clause of the policy.

3 Scope

3.1 This policy applies to the:

- 3.1.1 Finance Business Unit;
- 3.1.2 KMPs.

4 Principles

4.1 Council commits itself to the following principles:

- 4.1.1 **Accountability and transparency** - this policy provides a framework for the transparent provision of documentation to support a system of accountability for Related Party disclosures.
- 4.1.2 **Confidentiality** - maintaining confidentiality in relation to the Related Party Declaration.

Part B Responsibilities

5 Key Management Personnel (KMP)

5.1 KMPs are:

- 5.1.1 CEO;
- 5.1.2 Lord Mayor and Councillors;
- 5.1.3 staff employed under senior management contracts

5.2 KMPs are responsible for:

- 5.2.1 completing a Related Party Declaration Notification on an annual basis
- 5.2.2 advising the CEO of changes in circumstances where the information is captured in the Key Management Personnel Related Party Transaction Disclosure Notification.

6 Finance Business Unit

- 6.1 The Finance Business Unit is responsible for:
 - 6.1.1 identifying Related Party Transactions or Related Party Transactions of Close Members of the Family through Council's accounts payable, accounts receivable, applications, payroll and document management systems;
 - 6.1.2 assessing Related Party Transactions and disclosing those found to be of a material nature in the financial statements;
 - 6.1.3 keeping a register of Related Party Transactions; and
 - 6.1.4 ensuring that only those staff and external auditors that are involved in preparing the annual financial statements have access to the Related Party Declaration Notifications and that all other requests for access are handled in accordance with the *Government Information (Public Access) Act 2009* (NSW).
- 6.2 For the purposes of this policy any transaction where the aggregate amount involved is be expected to exceed \$5,000 in any financial year will be considered material and disclosed in the annual financial statements.

Part C Access and use

7 Collection, use and privacy

- 7.1 The Related Party Declaration Notification contains personal information and will be stored securely in Council's records management system. The following persons are permitted to access, use and disclose the information (including personal information) for the purposes set out in clause 7.2 below:
 - 7.1.1 KMP for information about themselves;
 - 7.1.2 staff in Council's Finance Business Unit responsible for maintaining Related Party information and preparation of financial reports;
 - 7.1.3 Responsible Accounting Officer;
 - 7.1.4 CEO;
 - 7.1.5 members of Council's Audit and Risk Committees;
 - 7.1.6 Audit Office of New South Wales (including an auditor contracted by the Audit Office of New South Wales).
 - 7.1.7 other third parties as required by law.
- 7.2 A person specified in clause 7.1 above may access, use and disclose information (including personal information) in a Related Party Declaration Notification or contained in a register of Related Party Transactions for the following purposes:

- 7.2.1 to assess and verify a notified Related Party Transaction;
- 7.2.2 to reconcile identified related party transactions against those notified in a Related Party Declaration Notification or contained in a register of Related Party Transactions;
- 7.2.3 to comply with disclosure requirements of the AASB124; or
- 7.2.4 to verify compliance with the disclosure requirements of the AASB124.

8 Public access

- 8.1 Members of the public can apply for access to Related Party Declaration Notifications or information contained in a register of Related Party Transactions under the *Government Information (Public Access) Act 2009* (NSW).