

FILE NO: PSC2009-02488

TITLE: RELATED PARTY DISCLOSURES

OWNER: FINANCIAL SERVICES SECTION MANAGER

1. PURPOSE:

- 1.1 The Related Party Disclosures Policy aims to ensure compliance 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. CONTEXT/BACKGROUND:

- 2.1 The Local Government Act 1993, section 413, requires Council to prepare its general purpose financial report in compliance with the publications issued by the Australian Accounting Standards Board. AASB 124 comes into effect for annual reporting periods beginning on or after 1 July 2016. Council will disclose in its general purpose financial statements the information specified in AASB 124 regarding related party transactions during the period covered by the financial statements.
- 2.2 A related party relationship could influence the normal business operations of Council. In some instances, Council may enter into transactions with a related party that unrelated parties would not. For example, goods are supplied to Council on terms that might not be offered to other customers. Transactions between related parties may not be made on the same terms as between unrelated parties.
- 2.3 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 by users of financial statements, including assessments of the risks and opportunities facing Council, this is the background regarding the release of AASB 124.

3. SCOPE:

- 3.1 This policy applies to related parties of Council including key management personnel and their related party transactions with Council (as detailed in the definitions section of this policy).

4. DEFINITIONS:

4.1 An outline of the key definitions of terms included in the policy.

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) key management personnel. b) close family members of key management personnel. c) entities that are controlled or jointly controlled by key management personnel or their close family members.
Key management personnel	Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are: a) Mayor. b) Councillors. c) General Manager. d) Directors. e) Section Managers.
Close family members	A close family member includes: a) that persons children and spouse or domestic partner. b) children of that persons spouse or domestic partner. c) dependants of that person or that persons spouse or domestic partner. 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.
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.

Ordinary citizen transactions

Transactions that an ordinary citizen would undertake with Council, which is 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 utility charges.
- b) using Council's public facilities after paying the corresponding fees.

Materiality

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 based on 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.

Key management personnel remuneration

Council shall in its annual financial statements disclose key management personnel remuneration (compensation) in total and for each of the following categories:

- a) short-term employee benefits.
- b) post-employment benefits.
- c) other long-term benefits.
- d) termination benefits.

5. STATEMENT:

5.1 Key management personnel (as detailed in the definitions section of this policy) must provide a Related Party Transactions Notification form notifying of any existing related party transactions (as detailed in the definitions section of this policy) 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 Financial Services Section Manager by no later than 15 July for each financial year ended 30 June.

5.2 Some examples of the types of transactions that may need to be captured for analysis to be included in the related party disclosure in Council's annual financial statements are as follows:

5.2.1 From Council:

- a) Grants paid by Council to related parties of Council.
- b) Donations, contributions and assistance paid by Council to related parties of Council.

- c) Charges for goods or services paid to related parties of Council from Council.

5.2.2 To Council:

- a) Fees and charges paid to Council from related parties of Council that are out of the ordinary.
- b) Infrastructure contributions and development application fees paid to Council from related parties of Council.

5.3 Non-monetary transactions between Council and related parties of Council also need to be captured.

5.4 The notification requirements do not apply:

- a) To related party transactions that are ordinary citizen transactions (as detailed in the definitions section of this policy) not assessed as being material.
- 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 to Mayor/Councillors Policy.

5.5 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.
- d) Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement.
- e) Details of any guarantees given or received.
- f) Provisions for doubtful debts related to the amount of outstanding balances.
- g) The expense recognised during the period in respect of bad or doubtful debts due from related parties.

6. RESPONSIBILITIES:

6.1 Council's key management personnel are responsible for complying with the Related Party Disclosures Policy.

6.2 The Financial Services Section Manager is responsible for providing advice regarding the Related Party Disclosures Policy and will make the decision whether a related party transaction is disclosed in Council's financial statements.

7. RELATED DOCUMENTS:

- 7.1 Local Government Act 1993, section 413.
- 7.2 Australian Accounting Standard AASB 124 Related Party Disclosures.
- 7.3 Australian implementation guidance for not-for-profit public sector entities for AASB 124.

CONTROLLED DOCUMENT INFORMATION:

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EDRMS container No.	PSC2009-02488	EDRMS record No.	24/88282
Audience	Key management personnel		
Process owner	Financial Services Section Manager		
Author	Financial Services Section Manager		
Review timeframe	3 years	Next review date	12 March 2027
Adoption date	9 May 2017		

VERSION HISTORY:

Version	Date	Author	Details	Minute No.
1.0	09/05/2017	Financial Services Section Manager	Original document. Adopted by Council on 9 May 2017.	104
2.0	09/04/2019	Financial Services Section Manager	No changes to content of policy. Updated into new template and updated EDRMS Record no. in Version History. Attachment 1 - Change 2016-2017 to 'current'.	080
3.0	23/03/2021	Financial Services	Updated policy into the current format.	060

		Section Manager	Minor grammatical amendments. Amended review timeframe to 3 years as per Council's policy review process.	
4.0	12/03/2024	Financial Services Section Manager	Updated policy into the current format. 4.1- Updated position title from "Group Manager" to "Director". 5.1 – Deleted reference to attachment.	011