

CITY OF
CANADA BAY

RELATED PARTY DISCLOSURES POLICY

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1. Policy Statement

The Related Party Disclosure Policy aims to assist 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. Definitions

arm's length terms	<p>Terms between parties that are reasonable in the circumstances of the transaction that would result from:</p> <ul style="list-style-type: none"> (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 interest.
associate	<p>In relation to an entity (the first entity), an entity over which the first entity has significant influence.</p>
close family members or close members of the family*	<p>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:</p> <ul style="list-style-type: none"> (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 spouse or domestic partner. <p>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</p>
Control	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> (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, <p>as determined in accordance with AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).</p>

<p>Entity</p>	<p>An entity is controlled or jointly controlled 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.</p> <p>Examples of entities controlled or jointly controlled by you and/or any close family members could be:</p> <ul style="list-style-type: none"> • A company where you and/or close family members control more than 50% of the voting power • A company where you have a 30% shareholding and your spouse has a 30% shareholding • A company where you have a 40% shareholding and the remaining shareholding is widely dispersed • A partnership of two people where your spouse is one of the partners • A superannuation fund self-managed by you or your spouse (including through a corporate trustee) <p>Examples of entities not controlled or jointly controlled by you and/or any close family members could be:</p> <ul style="list-style-type: none"> • A company where you have a 25% shareholding and your spouse has a 5% 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
<p>Joint control</p>	<p>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.</p>
<p>Joint venture</p>	<p>An arrangement of which 2 or more parties have joint control and have right to the net assets of the arrangement.</p>
<p>Joint venturer</p>	<p>A party to a joint venture that has joint control of that joint venture.</p>
<p>key management personnel or key management person or KMP</p>	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council.</p> <p>Specifically, key management personnel of Council are:</p> <ul style="list-style-type: none"> (a) the Mayor; (b) Councillors; (c) the General Manager; (d) Directors

<p>Ordinary citizen transactions</p>	<p>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.</p> <p>Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> (a) paying rates and utility charges; (b) using Council's public facilities after paying the corresponding fees.
<p>Related party</p>	<p>A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.</p> <p>Examples of related parties of Council are:</p> <ul style="list-style-type: none"> (a) Council subsidiaries; (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.
<p>Related party transaction</p>	<p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.</p> <p>Examples of related party transactions are:</p> <ul style="list-style-type: none"> (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 (example, 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; (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.
<p>Related party transactions notification or RPT Notification</p>	<p>A document entitled Related Party Transactions Notification provided by Key Management Personnel in the form set out in Attachment A.</p>

3. Scope

- (1) identifying 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
- (2) identifying information about the related party transactions for disclosure;
- (3) establishing systems to capture and record the related party transactions and information about those transactions;
- (4) identifying the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required;
- (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.

4. 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.

- (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 for related party transactions with, amongst others, the following persons during the periods covered by the financial statement:
 - (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,
- (2) (**Disclosed Information**) For each category of related party transactions specified Council will disclose the following information in Councils' 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 amount of outstanding balances; and
 - (e) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- (3) (**In Aggregate or Separate**) For each related party category specified above Council will disclose information specified 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 to 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 General Manager.

5. Identifying Related Party Transactions with KMPs and their Close Family Members

- (1) (**RPT 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, 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.
- (2) (**RPT Notification Form**) At least 30 days before a specified notification period, the General Manager will provide KMPs with a RPT Notification form..
- (3) (**Additional RPT Notifications**) Also, 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.
- (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.
- (5) (**Other Notifications**) The notification requirements in this section are in addition to the notifications a KMP must make to comply with the pecuniary interest and conflicts of interest obligations in the Local Government Act.
- (6) (**Exclusions**) The notification requirements in this section do not apply to:
- (a) related party transactions that are ordinary citizen transactions 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 the Provision of Facilities to Councillors.
- (7) (**Digital Extraction**) Staff will digitally identify and extract information specified 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.
- (8) (**Other Sources of Information**) To ensure all related party transactions are captured and recorded, the staff may review other sources of information held by Council including, without limitation:
- (a) a register of interests of a KMP and of persons related to the KMP;
 - (b) minutes of Council and committee meetings.
- (9) (**Manual Investigation and Recording of Information**) For notified related party transactions that are not captured by Council's computerised business systems, staff 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.

6. Ordinary Citizen Transactions

- (1) (**Non-material in Nature**) 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 assessed to be not material in nature.
- (2) (**Material in Nature**) A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be material in nature.
- (3) (**Materiality Assessment**) The General Manager will review and assess the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the financial statements.
- (4) (**Digital Extraction**) Council staff will digitally identify and extract information specified against each notified

related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's computerised business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

7. Register of Related Party Transactions

- (1) (**Maintain a Register**) The General Manager must maintain and keep up to date a register of related party transactions that captures and records the information specified for each existing or potential related party transaction (including ordinary citizen transaction assessed as being material in nature) during a financial year.
- (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;
 - (f) the information specified in section 5(2).

Attachment A

Related Party Certificate Factsheet for the period 1 July 2016 to 30 June 2017

1. Why we are doing this

The Australian Accounting Standards Board recently 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 Personnel¹ (KMP)
- Close family members² of KMP, and
- Entities controlled/jointly controlled by KMP or their close family members.

This certificate has been developed to enable compliance with AASB 124 disclosure requirements.

2. What information will be collected?

This certificate 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 City of Canada Bay during the year.

- b) identifying outstanding balances at year end involving City of Canada Bay and the KMP/ their close family members/ controlled or jointly controlled entities.

You will not be required to provide information about transactions that are 'in common with the general public'. Attachment A.5 provides guidance to assist you in determining whether a transaction is in common with the general public.

If you have answered 'yes' to any of the questions in Attachment A.2, you will need to provide further details about each transaction.

This certificate 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 City of Canada Bay.

Where you have disclosed information in the certificate 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 certificate will need to complete and sign the consent form at Attachment A.4. The form should be returned along with the rest of the certificate.

3. Certification process

Any person who was a KMP at any time between 1 July 2016 and 30 June 2017 is to complete and return the Certificate by [DUE DATE].

The certificate should be returned to [TO BE DETERMINED] at: [insert email and contact details].

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 transactions and outstanding balances. Materiality is subject to professional judgement and goes beyond the dollar value of the transaction/balance.

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

The certificate requests disclosure of all known transactions with City of Canada Bay during the period covered by the

certificate. If you are unsure whether a close family member or a controlled/ jointly controlled entity has had transactions with City of Canada Bay we strongly recommend you include their details in the certificate 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 A.1

KMP – Certificate for 1 July 2016 to 30 June 2017

1. Close Family Members

Please provide details of all your close family members.

Please refer to Attachment A.5 for definition of 'close family member'.

Insert additional rows where applicable.

First Name	Last Name	Date of Birth	Relationship to You

2. Entities controlled/jointly controlled by yourself and/or your close family members

Please provide details of all entities controlled /jointly controlled by either yourself or your close family members.

Please refer to Attachment A.5 for definition of 'entity controlled or jointly controlled'.

Insert additional rows where applicable.

Entity Name	ABN	ACN (if applicable)	Nature of Interest

Attachment A.2

KMP – certificate for 1 July 2016 to 30 June 2017

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 City of Canada Bay, we strongly recommend you include their details for completeness.

	Question	Question Response		Guidance	KMP Sign-off
		Yes	No		
	During the stated period, in respect of City of Canada Bay				
1	Were any of your close family members employed in a senior position?			If you have answered 'yes', please complete Attachment A.3	
2	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?			If you have answered 'yes', please complete Attachment A.3. Please refer to Attachment A.5 for definition of 'entity controlled or jointly controlled'.	
3	Did you/ a close family member/ an entity controlled or jointly controlled by you and/or a close family member receive any grants, subsidies, ex-gratia payments or loans?			If you have answered 'yes', please complete Attachment A.3.	
4	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?			If you have answered 'yes', please complete Attachment A.3.	
5	Did you/ a close family member/ an entity controlled or jointly controlled by you and/or a close family member provide or receive any collateral, guarantee, indemnity or commitment (including executory contract)?			If you have answered 'yes', please complete Attachment A.3. Please refer to Attachment A.5 for definition of 'guarantee' and 'executory contract'.	
6	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			If you have answered 'yes', please complete Attachment A.3.	
7	Are there any outstanding balances above \$100,000 (excl. 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 City of Canada Bay			If you have answered 'yes', please complete Attachment A.3.	

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 Certificate is complete and accurate for the period 1 July 2016 to 30 June 2017. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of City of Canada Bay.

Print and Sign Name: _____

Position: _____

Date: _____

Attachment A.3

Transactions for 1 July 2016 to 30 June 2017

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 period (i.e. prior to 1 July 2016 and still outstanding). If you are unsure of a 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.

	Transaction 1	Transaction 2	Transaction 3
<p>Type of transaction</p> <p>Please provide details and nature of the transaction. Example of types of transactions</p> <ul style="list-style-type: none"> - Employment - Provision of goods (finished or unfinished) or services - Purchase, sale or transfer of property, other assets or licenses - Leasing arrangement - Provision of guarantee or collateral - Settlement of liabilities - Outstanding balance brought forward from prior financial period relating to transactions in a prior financial period 			
<p>Is the transaction/outstanding balance directly between you and the City of Canada Bay? Yes/No</p>			
<p>If not, please provide details of the related party, their relationship with you, and City of Canada Bay involved</p> <p>Please provide details of: person's name, entity name and ABN/ACN (if applicable), relationship with person and/or entity.</p>			
<p>Transaction Amount (relating to the stated period) excl. GST</p>			
<p>Total Agreed/Contracted Amount (if it extends beyond stated period) excl. GST</p>			
<p>Terms and Conditions of the Transaction</p> <p>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.</p>			

Attachment A.4

Close Family Members - Consent Form

[To be completed by each family member whose information is disclosed in this certificate. If additional copies of the form are required, please make copies for each close family member].

I authorise [insert KMP's name] to provide personal information about me in respect of transactions between me, or entities controlled/ jointly controlled by me, and City of Canada Bay.

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

Full Name (print):	
Signature:	
Date:	

For your information:

If you wish to access the information provided in the certificate, or make changes to it, please contact City of Canada Bay at [insert principal location and email address].

A full copy of the Privacy and Personal Information Protection Act 1998 can be accessed at the NSW Legislation website:
<http://legislation.nsw.gov.au/>

Attachment A.5

Defined terms for the purposes of the KMP Certificate

1. Key management personnel (KMP) is a defined term meaning those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
2. Close family members is a defined term meaning those family members who may be expected to influence, or be influenced by, your dealings with [NAME OF THE AGENCY]. It includes, but is not limited to:
 - your children
 - your spouse or domestic partner
 - children of your spouse or domestic partner
 - dependants of you, and
 - dependants of your spouse or domestic partner.

'Children' include step, adoptive, dependant, non-dependant, adult children and children not living at home (unless they are estranged).

'Spouse or domestic partner' includes married, de facto, civil union partnerships, but excludes separated or divorced spouses or partners.

'Dependants' are any family members who are financially supported by you or your spouse or domestic partner and may include elderly dependants or disabled family members.

Close family members excludes siblings, parents and other extended family, unless they may be expected to influence, or be influenced by, your dealings with City of Canada Bay. This may arise where they are a dependant as defined above, living in your household or where you have shared business interests.

If you are unsure whether a person is a close family member under this definition, we strongly recommend you include their details in the Certificate for completeness.

3. An entity is controlled or jointly controlled 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:

- A company where you and/or close family members control more than 50% of the voting power
- A company where you have a 30% shareholding and your spouse has a 30% shareholding
- A company where you have a 40% shareholding and the remaining shareholding is widely dispersed
- A partnership of two people where your spouse is one of the partners
- A superannuation fund self-managed by you or your spouse (including through a corporate trustee)

Examples of entities not controlled or jointly controlled by you and/or any close family members could be:

- A company where you have a 25% shareholding and your spouse has a 5% 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

4. Senior position is any person employed (permanent or temporary) as a 'senior executive' under the *Government Sector Employment Act 2013* (or equivalent legislation) anytime during the financial year.
5. Transactions or arrangements or business dealings exclude any transactions that are in common with and on the same terms as the general public, but may include:
 - purchase or sale of goods (finished or unfinished)
 - purchase or sale of property and other assets
 - rendering or receiving services (including employment)
 - contractual arrangements including leases
 - property and other asset transfers
 - licensing arrangements and transfers
 - loans, guarantees, debt forgiveness and collateral arrangements
 - grants, subsidies and ex gratia payments
 - commitments to do something if a particular event occurs or does not occur in the future (including executory contracts)

6. Transactions in common with the general public are excluded from this certification. These transactions are where you and/or close family members interact with City of Canada Bay under the same terms and conditions as a public citizen in respect of transactions in the normal course of City of Canada Bay delivering its normal public service objectives. Examples of transactions common to the general public are:

[Please list examples that are specific to your agency. Refer to the Treasury circular for common examples in NSW public sector.]

7. A guarantee is a legally binding promise whereby one party assumes responsibility for the debt or performance obligation of another party should that party default in some way.
8. An executory contract is a contract under which neither party has performed any of its obligations nor both parties have partially performed their obligations to an equal extent.

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:

- (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 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 register of interests under the Local Government Regulation. For the 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, unlike a register of interests, 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	May be 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 dependants	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
Dependants 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