



JUNEE SHIRE COUNCIL

RELATED PARTY DISCLOSURE POLICY

Policy No:	DFA.16.001
Adopted by Council:	19 April 2022
Minute No:	08.04.22
Review Date:	April 2024
Responsible Officer:	Chief Financial Officer
Responsible Director:	Chief Financial Officer
Functional Area:	Finance and Administration

1. PURPOSE

Under the Local Government Act 1993 and Local Government (General) Regulation 2005, all local government organisations in NSW must produce annual financial statements that comply with Australian Accounting Standards.

From 1 July 2016, the Australian Accounting Standards Board (AASB) determined that AASB Standard 124: Related Party Disclosures will apply to government entities, including local councils. This means that Council is required to disclose related party relationships, transactions and outstanding balances, including commitments.

The objective of AASB 124 is to give visibility 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. AASB 124 is not in place to assess Council's governance or probity issues.

The purpose of this policy is to ensure that Council complies with the disclosure requirements as prescribed in AASB Standard 124: Related Party Disclosures. This includes ensuring that Key Management Personnel (KMP) are aware of their responsibilities to identify and disclose related parties and transactions.

2. POLICY STATEMENT

Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions.

AASB 124 provides that Council must disclose all material and significant related party transactions and outstanding balances, including commitments, in its annual financial statements.

Related party relationships are a normal feature of commerce and business. A related party relationship is able to influence the normal business operations of Council even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the Council with other parties. Alternatively, one party may refrain from trading with Council because of the significant influence of another.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements.

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.

Key Management Personnel (KMP) are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

3. RELATED LEGISLATION

- Local Government Act 1993 (Act)
- Local Government (General) Regulation (2005)
- AASB Standard 124: Related Party Disclosures
- Local Government Code of Accounting Practice and Financial Reporting

- Office of Local Government Circulars
- Privacy and Personal Information Protection Act 1998 (PPIPA)
- Government Information (Public Access) Act 2009 (GIPAA)

4. IDENTIFYING RELATED PARTIES

Council's related parties are:

- Entities related to Council
- Key Management Personnel (KMP)
- Close family members of key management personnel
- Entities or persons that are controlled or jointly controlled by key management personnel, or their close family members.

Junee Shire Council KMP are identified as:

- Councillors
- General Manager
- Directors
- Senior officers with significant delegated authority.

Those persons identified as KMP will complete an annual declaration which outlines the entities, if any, that are controlled or jointly controlled by that KMP or their close family members and which are likely to have transaction with Council.

Each year, six steps need to be undertaken to ensure complete information is available in order to meet the requirements of AASB Standard 124: Related Party Disclosures;

1. All KMP are to notify Council of their close family members and of entities that they, or their close family members, control or jointly control.
2. All KMP are to provide details of their transactions with Council and Council entities, made by them, their close family members, or entities that they, or their close family members, control or jointly control.
3. All KMP are to provide details of non-monetary benefits that they have received from Council.
4. Financial Services will conduct business system analysis to extract details of Council's transactions with Council entities (for example subsidiaries, associates, and joint ventures).
5. Financial Services will extract details of KMP's financial compensation.
6. Financial Services will review KMP's declarations and verify, where possible, in Council's business systems.

Following the collection of all data, Financial Services will assess this information and make determinations regarding disclosure. Disclosure in Council's financial statements will only be made where a transaction has occurred between Council and a related party of Council, and this transaction is material in size or nature, when considered individually or collectively. All KMP compensation is considered material and significant.

Further detail on transactions that are required to be notified in accordance with this policy and AASB Standard 124: *Related Party Disclosures*, and how this information is to be notified and stored are given in the guidelines.

5. PRIVACY AND ACCESS TO INFORMATION

Information provided by KMP and other related parties shall be held by Council for the purpose of compliance with Council's legal obligations under AASB 124 and shall be otherwise disclosed only where required by the *Government Information (Public Access) Act 2009*, and *Privacy and Personal Information Protection Act 1998*.

6. REVIEW PROCEDURES

The Related Party Disclosure Policy will be reviewed every two years.

If there are any significant legislative changes, the Related Party Disclosures Policy will be reviewed and brought back to Council for its consideration.

7. DEFINITIONS

Term	Definition
AASB Standard 124	Means the Australian Accounting Standards Board, Related Party Disclosures standard
Act	Means the Local Government Act 1993
Arm's length terms	Terms between parties that are reasonable in the circumstances of the transaction that would result from: <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 each party having acted in its own interest.
Associate	In relation to an entity (<i>the first entity</i>), an entity over which the first entity has significant influence.
Close members of the family of a person	Are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include: <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
Control	AASB 10 Standard <i>Consolidated Financial statements</i> , states that control of an entity is present when there is: <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

Entity	Can include a body corporate, a partnership or a trust, incorporated association, or unincorporate group or body.
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 two or more parties have joint control and have the right to the net assets of the arrangement.
Joint venturer	A party to a joint venture that has joint control of that joint venture
Material (materiality)	Means 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 on the basis an entity's financial statements.
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.
Regulation	Means the Local Government (General) Regulation 2005.
Significant (significance)	means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.

8. REVISION HISTORY

Revision number	Minute No	Date Adopted
0	Include in Council business papers for December 2016 meeting	November 2016
1	07.12.16	December 2016
2	08.04.22	April 2024