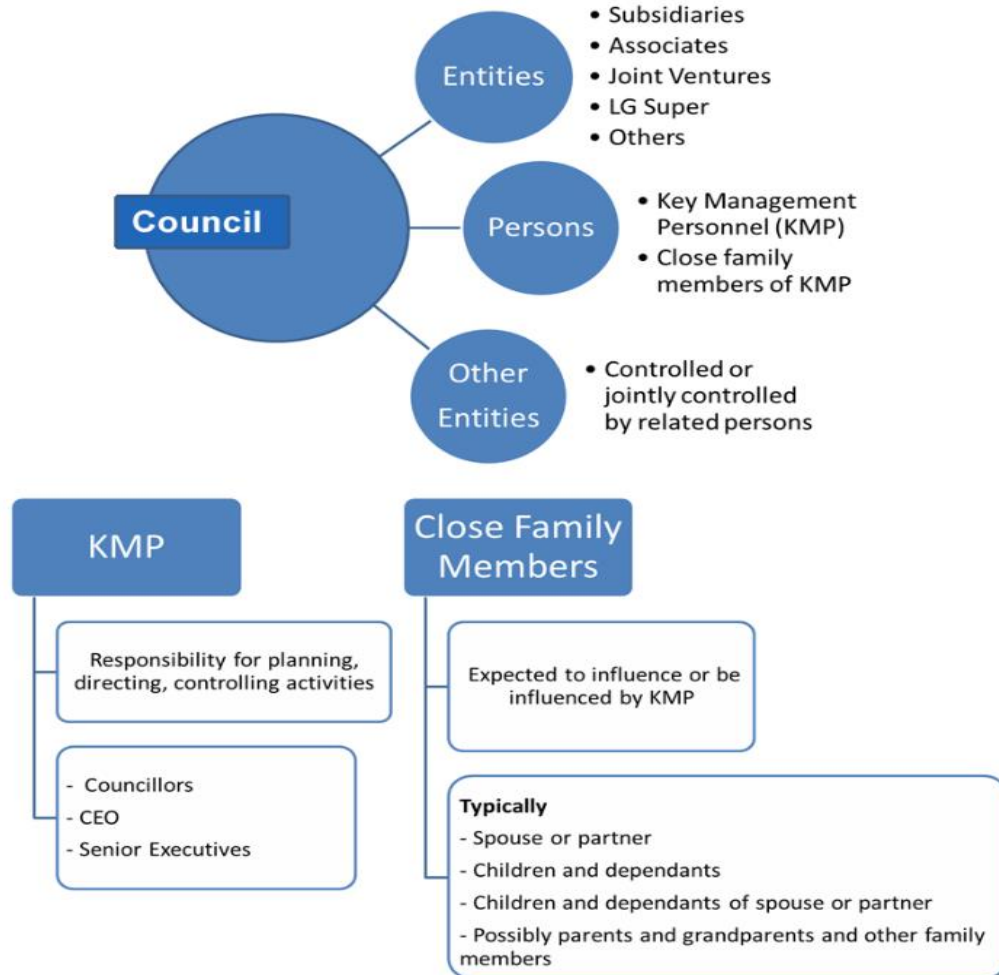


WHO AND WHAT ARE COUNCIL'S RELATED PARTIES?

What is a related party of council?

The following diagram gives an overview of common related parties that a council will have:



Council's related parties are:

- entities related to Council;
- key management personnel (KMP);
- close family members of key management personnel; and
- entities or persons that are controlled or jointly controlled by key management personnel, or their close family members;

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

IDENTIFYING ENTITIES RELATED TO COUNCIL

Entities controlled by council, jointly controlled by Council or over which council has significant influence are related parties of council. Examples of these related parties are subsidiaries, associates, joint ventures and superannuation funds,

A person or entity is also a related party of Council if any of the following apply:

- they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- they are an associate or belong to a joint venture of which Council is part of;
- they and Council are joint ventures of the same third party;
- they are part of a joint venture of a third party and council is an associate of the third party;
- they are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.

Council's Financial Services team will manage the investigation to identify entities related to Council. This investigation will include consultation with Council's leadership team regarding current agreements and arrangements, and also analysis within the financial and project management systems.

Council will refer to AASB 10 – Consolidated Financial Statements, AASB 11 – Joint Arrangements and AASB 128 – Investments in Associates and Joint Ventures to make these determinations.

Financial Services will conduct business system analysis to extract details of Council's transactions with other related party entities, on an annual basis for inclusion in the Financial Statements.

DETERMINING KEY MANAGEMENT PERSONNEL

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.

At City of Ryde, KMP are identified as

- Councillors
- General Manager
- Directors of Corporate and Organisational Support Services, City Works and Infrastructure, Customer and Community Services, and City Planning and Development.

A person who is acting in a position that has been identified as KMP, becomes a KMP if the appointment is for three months or greater.

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

Entities that are controlled or jointly controlled by KMP or their close family members are also related parties. These may include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

Council will refer to AASB 10 – Consolidated Financial Statements and AASB 11 – Joint Arrangements to confirm a KMP declaration that states that they or a close family member controls, or jointly controls, an entity.

DISCLOSURE OF RELATED PARTY TRANSACTIONS IN FINANCIAL STATEMENTS

Related party transactions that are not ordinary citizen or immaterial, must be disclosed in the Financial Statements in aggregate or by description and must include the following detail:

- the nature of the related party relationship.
- the amount of the transactions.
- 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 the settlement; and
 - (ii) details of any guarantees given or received.
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

When assessing materiality and whether to include each transaction in the Financial Statements, Council will consider both the size and the nature of transaction, individually and collectively.

Materiality is to be assessed in terms of the potential effect of the relationship on the financial statements, rather than the materiality of the transaction to the KMP; and whether the transaction was part of an ordinary operational or *arm's length transaction* (eg purchase of property, plant and equipment, hiring employees) on normal commercial terms and conditions including meeting tendering requirements.

All transactions between Council and related parties, whether monetary or not, are required to be identified and noted in the Related Parties register, unless identified as *ordinary citizen transactions*.

Ordinary citizen transactions (OCT) are transactions that an ordinary community member would undertake with Council, which are undertaken in the ordinary course of participating in Council's functions and activities.

Examples are

- paying rates;
- parking fees;
- use of Council facilities;
- paying fines on normal terms and conditions; and
- pet registration fees.

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

Arm's length transactions are transactions between parties that are made in accordance with established processes, criteria or conditions that result in outcomes that would be the same irrespective of the parties involved.

Any transaction that occurs on terms and conditions that are different to those offered to the general public may become material, for example staff discounts.

Fees associated with development activities are not considered to be immaterial.

Identifying KMP Compensation

Council's Financial Services team will identify details of KMP compensation on an annual basis for inclusion in the Financial Statements. KMP compensation means all forms of consideration paid, payable or provided in exchange for services provided.

Compensation is to be disclosed in total, and for each of the following categories:

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

Council will also disclose amounts incurred for the provision of KMP services that are provided by a separate management entity – for example fees to a KMP engaged as an independent contractor or through an agency.

Process to identify related party transactions with KMP or their close family members, including with entities they control (or jointly control)

In order to meet the disclosure requirements, Council's KMP are required to complete two forms each year.

Step 1

All KMP are responsible for identifying their close family members and entities they or close family members control for each financial year, using the KMP Related Party Notification form.

This form is to be received no later than:

- 30 days after a KMP commences their term of employment
- 30 April each year

If a KMP identifies related parties at other times in the year, they are to submit an updated KMP Related Party Notification form.

As suggested by NSW Treasury, KMP do not initially need to provide details of close family members who are minors. This disclosure is only required if during the period the KMP identifies a close family member, who is a minor, as having conducted a reportable transaction. (NSW Treasury FAQs – May 2017).

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

Step 2

The second step is for KMP to complete a KMP Related Party Transactions Declaration form. This form enables KMP to provide details of any related party transactions in the financial year, between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members.

Please note that transactions associated with the City of Ryde Councillor Expenses and Facilities Policy do not need to be declared on this form, as this information is reported within the Statutory Information section of Council's Annual Report.

The RPD notification form is to be received no later than 30 June each year.

KMP are not required to notify Council of transactions of their *ordinary citizen transactions*.
KMP are required to notify transactions that they assess as being *arm's-length transactions*.

Please refer to the listing of Key Terms and Definitions below.

REGISTER OF RELATED PARTIES AND RELATED PARTY TRANSACTIONS

The Manager, Risk, Audit and Governance shall maintain a register of Council's related party transactions, including KMP Notification and Declaration forms.

Related party entities and transactions identified by Financial Services shall also be retained in the register.

It is important to note that transactions extracted or collected, that are then deemed to be not significant or material and thus not required to be disclosed in Financial Statements are still to be retained in the register for audit purposes.

Details of KMP compensation, prior to aggregation, are also retained in the register for audit purposes.

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*.

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

Key Terms and Definitions

Key Management Personnel (KMP)

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

Related Party

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

Control and Joint Control of an entity

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.

Joint control is 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.

Ordinary Citizen Transactions

Transactions that an ordinary citizen would undertake with Council, which are undertaken in the ordinary course of participating in Council's functions and activities. Examples of ordinary citizen transactions considered not material in nature: are (a) paying rates and utility charges; (b) using Council's public facilities after paying the corresponding fees.

Arm's length transaction

Transactions between parties that are made in accordance with established processes, criteria or conditions, that result in outcomes that would be the same irrespective of the parties involved. Examples include hiring of staff in accordance with normal Council protocol and the awarding of tenders or procurement in accordance with established Council protocol.

Close members of the family of a KMP

Are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependants of that person or that persons' spouse or domestic partner.

For the purposes of AASB 124, close family members may also 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 KMP in their dealings with Council.

Related Party Transaction

A transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged, including but not limited to:

- purchases or sales of goods
- purchases or sales of property and other assets
- rendering or receiving of services
- rendering or receiving of goods
- leases
- transfers under licence agreements
- transfers under finance arrangements (example: loans)
- provision of guarantees (given or received)
- commitments to do something if a particular event occurs or does not occur in the future
- settlement of liabilities on behalf of Council or by Council on behalf of that related party.

RELATED PARTY DISCLOSURES GUIDELINE – June 2017

Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017

RELATED PARTY DISCLOSURES GUIDELINES

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 of 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.

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.

RELATED PARTY DISCLOSURES GUIDELINE – June 2017		
Owner: Risk, Audit and Governance	Accountability: Governance Framework	Policy Number: CSG011
Trim Reference: D17/62131	Review date: June 2019	Presented to Council 27 June 2017