

RELATED PARTY DISCLOSURES POLICY

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) has 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, commencing in its 2016/17 Financial Statements.

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.

The City of Ryde Related Party Disclosures Policy is applicable from 1 July 2016.

Scope

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.

Related Party Disclosures Policy – June 2017		
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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.

The 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.

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.

Exceptions

1. Transactions associated with the City of Ryde Councillor Expenses and Facilities Policy do not need to be declared, as this information is reported within the Statutory Information section of Council's Annual Report.
2. KMP do not need to provide details of close family members who are minors initially. 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)

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.

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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.

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*.

References

AASB Standard 124: Related Party Disclosures- July 2015
Office of Local Government webinar and Q&As - October 2016
Treasury Circular –TC 16-12 – December 2016
LG Debits and Credits – March and May 2017
Australian Accounting Standards Board – Agenda Decision April 2017
Treasury Circular – Frequently Asked Questions: Related Party Disclosures – May 2017

Attachments

Document Title	Trim Reference
Guidelines	D17/62131
KMP Related Party Notification Form	D17/81854
KMP Related Party Transactions Declaration form	D17/81856

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