

Policy

Related Party Disclosures Policy

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City of
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Part A Preliminary

1 Purpose

- 1.1 The purpose of this Policy is to:
 - 1.1.1 The policy provides a framework for the accurate reporting of Related Party Transactions within CN's financial statements by outlining the obligations that Key Management Personnel must fulfil. Further, this ensures that KMPs are clearly informed and accountable for their disclosures.
 - 1.1.2 ensure CN complies with its obligations under s 413 of the *Local Government Act 1993* this section requires compliance with the Australian Accounting Standards and AASB 124 – Related Party Disclosures concerning disclosures required to be made by Key Management Personnel (KMP);
 - 1.1.3 provide guidance on determining what equates to Related Party Transactions, who are the Related Parties of CN and who are KMPs;
 - 1.1.4 provide responsibilities for recording and reporting on Related Party Transactions;
 - 1.1.5 ensure that CN's financial statements contain the disclosures necessary to draw attention to the possibility that CN'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.

2 Scope

- 2.1 This Policy applies to the:
 - 2.1.1 Finance Service Unit
 - 2.1.2 KMP's

3 Principles

- 3.1.1 One of the key strategic directions outlined in the Newcastle 2030 Community Strategic Plan is Open and Collaborative Leadership. This policy aligns with the Open and Collaborative Leadership strategic direction and is guided by the following principles:
- 3.1.2 **Accountability and transparency** - The policy provides a framework for the transparent and merit-based provision of support and a system of accountability for the recipient.
- 3.1.3 **Confidentiality** - maintaining confidentiality in relation to the Related Party Declaration.

Part B Responsibilities

4 Key Management Personnel (KMP)

- 4.1 KMP's are:
 - 4.1.1 CEO.
 - 4.1.2 Lord Mayor and Councillors.
 - 4.1.3 staff employed under senior management contracts and/ or staff who have been acting in a role performed by a senior manager for more than four weeks during the financial year.
- 4.2 KMPs are responsible for:
 - 4.2.1 completing a related party declaration on an annual basis.
 - 4.2.2 Advising the CEO of any amendments to be made to their related party declaration.

5 Finance Service Unit

- 5.1 The Finance Service Unit is responsible for:
 - 5.1.1 identifying Related Party Transactions or Related Party Transactions of close members of the family through CN's accounts payable, accounts receivable, applications, payroll and records management systems.
 - 5.1.2 assessing Related Party Transactions and disclosing those found to be of a material nature in the financial statements.
 - 5.1.3 keeping a register of Related Party Transactions and disclosures; and
 - 5.1.4 ensuring that only those staff and external auditors that are involved in preparing the annual financial statements have access to the Related Party Declarations and that all other requests for access are handled in accordance with the *Government Information (Public Access) Act 2009* (NSW).

Part C Access and use

6 Collection, use and privacy

- 6.1 The related party declaration contains personal information and will be stored securely in CN's records management system. The following persons are permitted to access, use and disclose the information (including personal information) for the purposes set out in clause 6.2:
- 6.1.1 KMP for information about themselves.
 - 6.1.2 staff in CN's Finance Service Unit responsible for maintaining related party information and preparation of financial statements.
 - 6.1.3 CN Directors, access to staff within their directorate.
 - 6.1.4 CEO.
 - 6.1.5 members of CN's Audit and Risk Committee.
 - 6.1.6 Audit Office of New South Wales (including an auditor contracted by the Audit Office of New South Wales).
 - 6.1.7 as required by law
- 6.2 A person specified in clause 6.1 above may access, use and disclose information (including personal information) in a Related Party Declaration notification or contained in a register of Related Party Transactions for the following purposes:
- 6.2.1 to assess and verify a notified Related Party Transaction.
 - 6.2.2 to reconcile identified Related Party Transactions against those notified in a Related Party Declaration or contained in a register of Related Party Transactions.
 - 6.2.3 to comply and verify compliance with disclosure requirements of the AASB124.

7 Public access

- 7.1 Members of the public can apply for access to Related Party Declarations or information contained in a register of Related Party Transactions under the *Government Information (Public Access) Act 2009* (NSW).

8 Materiality

- 8.1 Prior to preparing Council's financial statement disclosures, related party transactions will be assessed by Corporate Finance for materiality. Transactions that are not considered material do not need to be disclosed. When assessing materiality, both the size and nature of the transaction will be considered, individually and collectively.
- 8.2 Assessing materiality requires judgement and the following factors may indicate a material related party transaction:
- 8.2.1 significance in terms of size (by reference to materiality levels set by external auditors each year)
 - 8.2.2 carried out on non-market terms
 - 8.2.3 outside normal operations
 - 8.2.4 subject to Council approval
 - 8.2.5 provide a financial benefit not available to the general public
 - 8.2.6 transaction likely to influence decisions of users of financial statements

Annexure A - Definitions

CEO means Chief Executive Officer of the City of Newcastle and includes their delegate or authorised representative.

References to the Chief Executive Officer are references to the General Manager appointed under the *Local Government Act 1993* (NSW).

City of Newcastle (CN) means Newcastle City Council.

Council means the elected Council.

Close Members of the Family means those family members of KMPs who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- a) the person's children and spouse or domestic partner
- b) children of that person's spouse or domestic partner
- c) dependants of that person or that person's spouse or domestic partner.

Control is defined by AASB 10 as the exposure, right or ability to affect variable returns through the exercise of power.

Key Management Personnel (KMP) means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, specifically those listed at clause 4.

Material information is material to financial statements if omitting it or misstating it could influence decisions that users make on the basis of financial information.

Related Party means a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

1. A person or a close member of that person's family is related to a reporting entity if that person:
 - a) has control or joint control over the reporting entity
 - b) has significant influence over the reporting entity
 - c) is a member of the KMP of the reporting entity or of a parent of the reporting entity
2. An entity is related to a reporting entity if any of the following conditions applies:
 - a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others)
 - b) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member)
 - c) both entities are joint ventures of the same third party
 - d) one entity is a joint venture of a third entity and the other entity is an associate of the third entity
 - e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity
 - f) the entity is controlled or jointly controlled by a person identified in Related Party (a)
 - g) a person identified in Related Party (a) has significant influence over the entity or is a member of the KMP of the entity (or of a parent of the entity)
 - h) the entity, or any member of a group of which it is a part of, provides KMP services to the reporting entity or to the parent of the reporting entity

Related Party Transactions –is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged. The following are examples of transactions that must be disclosed by KMPs if they are with a Related Party:

- a) purchases or sales of goods (finished or unfinished)
- b) purchases or sales of property and other assets
- c) rendering or receiving of services
- d) leases
- e) transfers of research and development
- f) transfers under licence agreements
- g) transfers under finance arrangements (including loans and equity contributions in cash or in kind)
- h) provision of guarantees or collateral
- i) commitments to do something if a particular event occurs or does not occur in the future, including executory contracts (recognised and unrecognised)
- j) settlement of liabilities on behalf of the entity or by the entity on behalf of that Related Party

Unless stated otherwise, a reference to a section or clause is a reference to a section or clause of this Policy.

Annexure B - Policy Authorisations

Function	Position Number / Title
Nil.	

Document Control

Policy title	Related Party Disclosures Policy
Policy owner	Manager Finance
Policy expert/writer	Manager Corporate Finance
Associated Procedure Title (if applicable)	Nil
Procedure owner (if applicable)	Nil
Prepared by	Finance
Approved by	CEO
Date approved	20/07/2020
Policy approval form reference	ECM# 6964041
Commencement Date	20/07/2020
Next revision date (date policy will be revised)	20/07/2023
Termination date	20/07/2024 (one year post revision date)
Version	2
Category	Financial Management
Keywords	Related Party, Disclosure, AASB124, Key Management Personnel
Details of previous versions	Related Party Disclosure Policy – ECM: 6016937
Legislative amendments	Nil
Relevant strategic direction	Open and Collaborative Leadership
Relevant strategy	Nil
Relevant legislation/codes (reference specific sections)	<i>Local Government Act 1993 (NSW) S.413</i> <i>Local Government (General) Regulation 2005</i> <i>Government Information (Public Access) Act 2009</i> Australian Accounting Standards AASB 124 - Related Party Disclosures
Other related documents	Nil
Related forms	Related Party Declaration
Required on website	Yes
Authorisations	See Authorisations listed at Annexure B