

# Illawarra Shoalhaven Joint Organisation Policy Manual

## Related Parties Policy



## 1. Policy Statement

The Illawarra Shoalhaven Joint Organisation (ISJO) requires that its financial statements comply with disclosure requirements under Australian Accounting Standard AASB 124 *Related Party Disclosures* and that key management personnel (KMP), including Board Members, are aware of their responsibilities in relation to reporting related parties and the disclosures that may be made in the annual financial statements.

## 2. Guiding principles

- 2.1 That key management personnel not profit from a position of trust or place themselves in a position where duty and interest might conflict
- 2.2 That key management personnel account for a profit or benefit if it was obtained when such a conflict existed or by reason of the fiduciary taking advantage of an opportunity or knowledge derived from that position
- 2.3 That key management personnel are not swayed by considerations of personal interest and from actually misusing their position for personal advantage
- 2.4 That responsibility for reporting and compliance by related parties is clearly expressed to them.

## 3. Policy and key controls

- 3.1 In complying with disclosure requirements in AASB 124, the ISJO will:
- 3.2 Identify related party relationships, related party transactions and ordinary citizen transactions
- 3.3 Identify information about the related party transactions for disclosure
- 3.4 Establish systems to capture and record the related party transactions and information about those transactions
- 3.5 Identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required, and
- 3.6 Determine the disclosures to be made about those items in the General Purpose Financial Statements for the purpose of complying with AASB 124.

## 4. Supporting information

Term	Definition
	Each of the following terms in bold bears the meaning shown below:

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<b>Arm's length terms</b>	<p>Terms between parties that are reasonable in the circumstances of the transaction that would result from:</p> <ul style="list-style-type: none"> <li>(a) Neither party bearing the other any special duty or obligation; and</li> <li>(b) The parties being unrelated and uninfluenced by the other; and each party having acted in its own interest.</li> </ul>
<b>Associate</b>	In relation to an entity ( <i>the first entity</i> ), an entity over which the first entity has significant influence.
<b>Close family members or close members of the family</b>	<p>In relation to a KMP, family members who may be expected to influence, or be influenced by that KMP in their dealings with the ISJO will include:</p> <ul style="list-style-type: none"> <li>(a) That person's children and spouse or domestic partner</li> <li>(b) Children of that person's spouse or domestic partner</li> <li>(c) Dependents of that person or that person's spouse or domestic partner.</li> </ul> <p>For the purpose of 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 KMP in their dealings with the Joint Organisation.</p>
<b>Control</b>	<p>Control of an entity is present when there is:</p> <ul style="list-style-type: none"> <li>(a) Power over the entity</li> <li>(b) Exposure or rights to variable returns from involvement with the entity</li> <li>(c) The ability to use power over the entity to affect the amount of returns received.</li> </ul> <p>As determined in accordance with AASB 10 Consolidated Financial Statements, Paragraphs 5 to 18, Appendices A (Defined Terms) and B (Application Guidance).</p>
<b>Joint control</b>	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.
<b>Joint venture</b>	An arrangement of which two or more parties have joint control and have right to the net assets of the arrangement.
<b>Joint venture party</b>	A party to a joint venture that has joint control of that joint venture.

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<p><b>KMP</b> Key Management Personnel</p>	<p>Person(s) having authority and responsibility for planning, directing and controlling the activities of the Joint Organisation.</p> <p>Specifically, KMP of the Joint Organisation are:</p> <ul style="list-style-type: none"> <li>(a) Board Members</li> <li>(b) The Executive Officer / Chief Executive Officer</li> <li>(c) Managers</li> <li>(d) Other Nominated Designated Staff, and</li> <li>(e) The Public Officer (which in normal circumstances will be the Executive Officer / Chief Executive Officer)</li> </ul>
<p><b>Ordinary citizen transactions</b></p>	<p>Transactions that an ordinary citizen would undertake with the ISJO, which are undertaken at arm's length terms and in the ordinary course of carrying out Council's functions and activities. Examples of ordinary citizen transactions assessed to be not material in nature are:</p> <ul style="list-style-type: none"> <li>(a) Paying user fees for services such as weeds management, and</li> <li>(b) Using ISJO facilities after paying the appropriate fee.</li> </ul>
<p><b>Related party</b></p>	<p>A person or entity that is related to the ISJO pursuant to the definition contained in AASB 124, Paragraph 9.</p> <p>Examples of related parties of the ISJO are:</p> <ul style="list-style-type: none"> <li>(a) KMP</li> <li>(b) Close family members of KMP, and</li> <li>(c) Entities that are controlled or jointly controlled by KMP or their close family members.</li> </ul>
<p><b>Related party transaction</b></p>	<p>A transfer of resources, services or obligations between the ISJO 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"> <li>(a) Purchases or sales of goods</li> <li>(b) Purchases or sales of property and other assets</li> <li>(c) Rendering or receiving of services</li> <li>(d) Rendering or receiving of goods</li> <li>(e) Leases</li> <li>(f) Transfers under license agreements</li> <li>(g) Transfers under finance arrangements (example: loans)</li> <li>(h) Provision of guarantees (given or received)</li> </ul>

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	<p>(i) Commitments to do something whether the event occurs or not in the future, and</p> <p>(j) Settlement of liabilities on behalf of Council or by Council on behalf of related party.</p>
<b>Related party disclosure</b>	A document entitled <i>Related Party Disclosure by Key Management Personnel</i> in the form set out in the approved format.
<b>Significant influence</b>	The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard <i>AASB 128 Investments in Associates and Joint Ventures, Paragraphs 3, 5 and 6.</i>

<b>Governing laws and standards</b>	<p>Local Government Act 1993 (NSW)</p> <p>Local Government (General) Regulation 2005 (NSW)</p> <p>Privacy and Personal Information Protection Act 1998 (NSW PPIPA)</p> <p>Government Information (Public Access) Act 2009 [NSW GIPAA]</p> <p>Australian Accounting Standards (AASB Standard 124)</p>
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