



EXCELSIA
COLLEGE
— Sydney —

Objects of Excelsia College

Motivated by the Christian faith, as expressed by the Apostles' Creed and Nicene Creed, with fidelity to the Scriptures as the Word of God, the Objects of the College are the advancement of the Christian faith and higher education.

Document Number

PO-FIN-11

Document Name

RELATED PARTY TRANSACTIONS POLICY

Document Status

Owner	Chief Executive	April 2023
Approving Authority	Board of Directors	June 2023
Publication	Version 1 (Public)	June 2023
Review Date	Review of Version 1	June 2026

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ABN: 50 360 319 774 TEQSA PRV12064 CRICOS Provider Code: 002664K

1 Policy Statement

The purpose of this policy is to define the parameters for related party transactions to achieve the compliance with Australian Accounting Standard AASB 124 Related Party Disclosures from the Australian Accounting Standards Board.

The objective of the accounting standard is to ensure that annual financial statements contain disclosures necessary for stakeholders to draw attention to the possibility that transactions and outstanding balances may have affected the financial position and financial performance with related parties.

Conflicts of interest (whether actual or perceived) may arise when a related party has an interest that may conflict with the best interests of Excelsia College.

2 Scope

This policy applies to Key Management Personnel and Responsible Persons within the College.

3 Responsibility

The following members of staff are responsible

- Key Management Personnel (KMP):
 - Directors
 - Executive/Management Team
- Responsible Persons:
 - Board of Directors
- The Board of Directors Secretary: managing the Register of Related Party Transactions.

4 Definitions

For the purpose of this policy, the following definitions apply:

- **Reporting entity:** Excelsia College Ltd
- **Key Management Personnel (KMP):** AASB 124 defines KMP as those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

For Excelsia College and its subsidiaries, this applies to:

- Directors

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- Executive/Management Team
- **Related Party:** AASB 124 defines a related party as a person or entity that is related to the reporting entity.
 - a. A person or a close member of that person's family is related to the reporting entity if that person:
 - i. has control or joint control of the reporting entity; or
 - ii. has significant influence over the reporting entity; or
 - iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
 - b. An entity is related to a reporting entity if any of the following conditions applies:
 - i. 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).
 - ii. 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).
 - iii. Both entities are joint ventures of the same third party.
 - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v. 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.
 - vi. The entity is controlled or jointly controlled by a person identified in (a).
 - vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - viii. The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- **Related party transaction:** This is defined in AASB 124 as a transfer of resources, services or obligations between an organisation and a related party regardless of whether a price is charged. Related party transactions can include purchases, sales, donations (material), receipt of goods, services or property, leases, transfers of property including intellectual

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property, loans, guarantees, provision of employees on a paid or complementary basis, a Responsible Person providing professional services (for example, accounting or legal services) at a discounted rate or for free.

- **At arm's length:** To act independently and without one party influencing another party.
- **Financial Benefit:** The legal definition of the term 'financial benefit' is broad. A non-exhaustive list of examples include:
 - providing finance or property to a related party
 - buying or leasing an asset from or selling an asset to a related party
 - supplying or receiving services from the related party
 - issuing securities or granting options to the related party
 - taking up or releasing an obligation of the related party.
- **Register of Related Party Transactions:** A list of related party transactions that have been declared and approved. The Board of Directors Secretary manages the register.
- **Responsible Person:** Responsible Persons are the Board of Directors.
- **Annual Information Summary (AIS):** Charities registered with the Australian Charities and Not-for-profits Commission (ACNC) must submit an Annual Information Statement every reporting period. The AIS is an online form that asks a range of questions about a charity's operations and finances over a 12-month period.

5 Principles

The objective of AASB 124 is to ensure that the entity's financial statements contain disclosures necessary to draw attention to the possibility that its 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.

5.1 Australian Charities and Not-for-profits Commission (ACNC) requirements

From 2023, all charities (except Basic Religious Charities) will be required to report related party transactions in their Annual Information Statement.

Medium and large charities also need to disclose related party transactions in their financial reports in accordance with the relevant Australian accounting standards.

Registered charities must comply with the ACNC Governance Standards to maintain their eligibility for registration. Governance Standard 5 requires charities to take reasonable steps to make sure that the following duties apply to and are followed by Responsible Persons. The duties can be summarised as follows:

- to act with reasonable care and diligence

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- to act honestly and fairly in the best interests of the charity and for its charitable purposes
- not to misuse their position or information they gain as a Responsible Person
- to disclose conflicts of interest
- to ensure that the financial affairs of the charity are managed responsibly, and
- not to allow the charity to operate while it is insolvent.

Conflicts of interest (whether actual or perceived) may arise where a related party has an interest that may conflict with the best interests of the charity. Where a Responsible Person has an actual or perceived interest with a related party, it may be difficult to demonstrate the duty to act in the best interests of the charity.

By having a related party transaction procedure, the entity reduces the risk that the interests of others may influence their decisions. This procedure also helps to ensure that related party transactions do not take place without approval of Responsible Persons.

5.2 Managing related party transactions

5.2.1 General

- i. All related party transactions and payments are to be conducted at an arm's length to ensure that a financial benefit is not given to a related party without due consideration. The process surrounding those transactions must align with the College's Financial and Administration Staff Framework.
- ii. The Board of Directors Secretary must record related party transactions that take place between the entity and its subsidiaries, on the Register of Related Party Transactions.
- iii. Where a related party transaction relates to a Board Member:
 - a. That Board Member has an obligation to disclose that conflict (or potential conflict) of interest to the Secretary of the Board of Directors and the Board.
 - b. The Board will discuss the perceived conflict and if required, ask that member to remove themselves from the discussion and decision-making process.
 - c. A record of the disclosure will be made on the Register of Related Party Transactions.

5.2.2 Related Party Transactions involving Key Management Personnel (KMP)

- i. Prior approval must be obtained for all potential related party transactions undertaken by KMP.
- ii. Payments must be made in accordance with usual delegations of authority; approval can only be provided where the related party transaction has been documented (see above).
- iii. All related party transactions must be disclosed and registered in the Register of Related Party Transactions. The KMP approving the transaction must forward the documented

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evidence provided for approval to the Board of Directors Secretary as soon as possible after approval.

- iv. The Board of Directors Secretary will provide a report on related party transactions to the Board at each meeting.

5.2.3 Reporting

- i. Related party transactions will be reported in the annual financial statements each year.
- ii. Records of related party transactions will be detailed enough to enable effective auditing.
- iii. Records of related party transactions will be retained for seven years before they are archived or destroyed.

5.2.4 Example of a related party transaction

A charity is planning to launch a new website. One of the companies being considered to create the website is managed by the daughter of a director of the charity. The charity identified this as a potential related party transaction and a conflict of interest. To manage it, the charity will follow its policies and procedures for conflicts of interest and related party transactions.

6 Related Documents and References

External

ACNC Governance Standards

Australian Accounting Standard AASB10 consolidated financial statements Corporations Act 2001

Australian Accounting Standards Board (AASB) 124 Related Party Disclosures

Australian Charities and Not-for-Profit Commission (ACNC) Related Party Transactions

General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (AASB 1060)

Internal

FIN-STA-01 Financial and Administration – Staff Framework

TEM-FIN-01 Related Party Transactions Register Template

7 Mapped to HESF

The content of this policy is mapped to the HESF 6.1, 6.2

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8 Document History

This policy has been amended as follows:

Version	Amendments / Date / Notes

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