

## RELATED PARTY TRANSACTION POLICY TT-17

### Version Control

Version	Date	Approved By	Description	Review Date
1.0	1 Nov 2023	Board	New policy	Nov 2024

### Background

This policy assists members of the Board and others working for Little Things for Tiny Tots ('the charity') to effectively define the parameters for related party transactions, manage conflicts of interest associated with such transactions, and to meet associated reporting requirements.

### Context

Related party transactions are not necessarily problematic and can bring about benefit to the charity. However, a conflict of interest (whether actual, potential or perceived) arises where there is a risk that a related party transaction may not be in the best interests of the charity. Conflicts of interest must be managed appropriately to ensure any related party transactions are handled appropriately, transparently and in the best interests of the charity.

### Scope

This policy applies to all aspects of charity operations.

### Definitions

#### **Close family member:**

- a parent, grandparent, brother, sister, uncle, aunt, nephew, niece, lineal descendent or adopted child of the member or spouse; or
- a spouse of any individual specified above.

**Related party:** A related party is a person or organisation that is connected to the charity and has significant influence over the charity's strategic and financial decisions. This includes:

- the charity's Board members and their close family members
- the charity's employees that report directly to the Board and their close family members; and
- other people or organisations that can influence the charity's decision making.

**Related party transaction:** A transfer of resources, services or obligations between the charity and a related party, regardless of whether a price is charged. Related party

transactions can include purchases, sales, donations; receipt of goods, services or property; leases; transfers of property including intellectual property; loans; guarantees; provision of employees or volunteers; or a Board member providing professional services (for example, accounting or legal services) at a discounted rate or for free.

Examples of Related Party Transactions that would be reportable<sup>1</sup>:

- the daughter of a Board member is employed by the charity as a paid part-time worker
- an influential and significant donor to the charity is a director of a web design company and the charity pays this company to update their website under normal commercial terms and conditions
- the charity paid lease/rent for office space owned by one of the employees reporting directly to the Board (even if the rent was charged below the market rate)

Examples of Related Party Transactions that would not generally be reportable<sup>1</sup>:

- a gift of a box of chocolates to Board members to say thank you for their pro-bono service
- donations received by the charity from a Related Party
- reimbursement of reasonable out-of-pocket expenses incurred by a related party in their duties for the charity
- volunteer services provided by a related party that are the same as (or similar to) services provided by the charity's other volunteers
- professional services provided free of charge by charity Board members
- a related party receiving goods or services from the charity as a beneficiary on the same terms as other beneficiaries.

<b>Relevant legislation</b>	<ul style="list-style-type: none"> <li>• Associations Incorporation Act 2015</li> </ul>
<b>Related Policies/Other Key Documents</b>	<ul style="list-style-type: none"> <li>• Conflict of Interest Policy TT-04</li> <li>• Approvals delegation schedule</li> <li>• Register of Interests</li> <li>• Related Party Transactions Register</li> <li>• ACNC Governance Standards</li> <li>• <i>Australian Accounting Standard AASB10 consolidated financial statements Corporations Act 2001</i></li> <li>• Australian Accounting Standards Board (AASB) 24 Related Party Disclosures Australian Charities and Not-for-Profit Commission (ACNC) Related Party Transactions</li> </ul>

<sup>1</sup>

<https://www.acnc.gov.au/for-charities/manage-your-charity/obligations-acnc/reporting-annually-acnc/related-party-transactions>

## Policy

It is the charity's policy that:

- Board approval is required prior to the charity entering into any related party transaction (refer to the charity's *Approvals Delegation Schedule*).
- Before approving any related party transaction, the Board will assure itself that:
  - any conflict of interest (whether actual, perceived or potential) has been managed in accordance with the charity's *Conflict of Interest Policy*; and
  - the transaction is in the best interest of the charity.
- Board members are expected to act in accordance with the Australian Charities and Not-for-profits Commission (ACNC) *Governance Standards*, including acting honestly and fairly in the best interests of the charity and its charitable purpose; not misusing their position; disclosing any actual, potential or perceived conflict of interest; and ensuring the charity's financial affairs are managed responsibly
- Records of all Board decisions on related party transactions will be appropriately documented and kept, either as meeting minutes or records of out of session decisions.
- A register of all related party transactions will be maintained by the Treasurer.
- Records kept in relation to related party transactions will be detailed enough to enable effective auditing. Records will be retained for a minimum of seven years before they are archived or destroyed.
- All reporting requirements associated with related party transactions will be met, including ACNC Annual Information Statement (AIS) requirements.