



Catholic Schools Office Diocese of Lismore

RELATED PARTY TRANSACTIONS STANDARD OPERATING PROCEDURE

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Related Documentation:	Catholic Education in the Diocese of Lismore Foundational Values for Catholic Identity and Mission. Conflict of Interest Policy and Standard Operating Procedure Privacy Policy and Standard Operating Procedure Purchasing Policy and Standard Operating Procedure Responsible Persons Policy and Standard Operating Procedure Records Retention Standard Operating Procedure NSW Education Standards Authority (NESA) Registration Systems and Member Non-Government Schools (NSW) Manual <i>Education Act 1990</i>

RATIONALE

The Catholic Schools Office (CSO) is committed to ensuring that all decisions are made in the best interests of the office and parish schools, as well as ensuring compliance with applicable legislation. The CSO recognises that related party transactions may raise questions about whether such transactions are in the best interests of the CSO and parish schools.

This Standard Operating Procedure outlines the procedural obligations on all Responsible Persons to identify, report, and declare related party transactions, and to subject them to ongoing monitoring. The Standard Operating Procedure also identifies the role of Principals and supervisors to take steps to manage related party transactions in relation to their staff. This Standard Operating Procedure aims to satisfy legal and contractual obligations, in particular s 83C of the *Education Act 1990* (NSW) (the Act).

SCOPE

This Standard Operating Procedure applies to all Responsible Persons in parish schools, the Catholic Schools Office and any related entities under the administration of the Catholic Schools Office, Diocese of Lismore.

1. DEFINITIONS

- 1.1 **Arm's length** means a transaction where the relevant parties have dealt with each other as parties normally do when they are not related, so that the outcome of their dealing is a matter of genuine bargaining, and although not necessarily technically an open market price, the terms are those that might reasonably have been agreed between arm's length parties
- 1.2 **Financial Benefit** includes giving a financial benefit indirectly through an interposed entity and does not require the payment of money. The legal definition of the term 'financial benefit' is broad. A non-exhaustive list of examples includes:
 - I. Providing finance or property to a related party;
 - II. Buying or leasing an asset from or selling an asset to a related party;
 - III. Supplying or receiving services from the related party;
 - IV. Issuing securities or granting options to the related party; and
 - V. Taking up or releasing an obligation of the related party.
- 1.3 **Related Party** means the following:
 - I. All Responsible Persons and all members of a parish school's senior management team, including their spouses, de facto spouses, parents and children;
 - II. Entities controlled by these persons;
 - III. A person who was a related party at any time within the previous 6 months; or
 - IV. A person or entity that believes or has reasonable grounds to believe that it is likely to become a related party at any time in the future.

- 1.4 **Responsible persons** for a parish school, as defined by the Act, are accountable for proper governance of the parish school. A parish school's proprietor or person concerned in the management of the parish school, members of the parish school's governing body, the parish school's Principal and any other person or body exercising a function in relation to the management of the parish school are considered under the Act to be Responsible Persons for a parish school.

2. PRINCIPLES

- 2.1 The following principles underpin the CSO's management of related party transactions:

- I. All related party transactions and payments will be conducted on an arm's length basis to ensure that a financial benefit is not given to a related party;
- II. The process surrounding those transactions must be transparent and fully documented including the maintenance and audit of a register of related party transactions; and
- III. Approval must be obtained for all related party transactions and payments, recognising that the governing body can delegate this approval in respect of a class of transactions and on such terms and conditions as the governing body sees fit.

3. NEW TRANSACTIONS

When entering into a related party transaction, the following applies:

- I. The relevant Responsible Person must inform their supervisor, manager or in the case of the CSO, the Chair of the Catholic Schools Council about the proposed transaction, including the proposed parties and how they are related, details of the proposed transaction and where arm's length terms may be evidenced; and
- II. The supervisor or manager will review the transaction before approving, and consider external legal advice where appropriate in considering the transaction.

4. REGISTER OF RELATED PARTY TRANSACTIONS

- 4.1 All related party transactions are to be recorded in a Register of Related Party Transactions. The Register is to be retained at individual parish schools for school transactions and at the CSO for CSO transactions. (a template is provided in Attachment 1).
- 4.2 A Register of Related Party Transactions will be maintained under the supervision of the Principal, bursar or business manager and will include details of the nature of the transaction, the date of the approval and any key conditions to which the approval is subject.

5. TYPES OF TRANSACTIONS THAT MUST BE DISCLOSED

Transactions potentially requiring disclosure include, but are not limited to:

- I. Purchases, sales, leases and donations (including donations which are made in furtherance of the school's objects) of goods, property, money and other assets such as intellectual property rights to or from the related party;
- II. The supply of services by the related party to the parish school, and the supply of services by the parish school to the related party. Supplying services includes providing the use of goods, property and other assets and finance arrangements such as making loans and giving guarantees and indemnities; and
- III. Any other payments and other benefits which are made to directors under express provisions of the governing document of a parish school or in fulfilment of objectives.

6. EXTERNAL AUDIT

The CSO will arrange for each parish school to have an external audit of all related party transactions on an annual basis. All related party transactions are also subject to random audits by the NSW Government under the 2017 Non-Government Schools Audit Program.

7. RECORD RETENTION

The CSO and each parish school will ensure that records of related party transactions, including the registers and audit reports thereon, are retained for at least seven (7) years.

APPENDIX 1

RELATED PARTY TRANSACTIONS REGISTER

Item	Name of Responsible Person	Name of transacting party	Relationship between Responsible Person and transacting party	Description and date of transaction	Amount of transaction and any outstanding balances	Date transaction approved and the basis for approval
1	Principal	XYZ Ltd	Principal's sister owns XYZ Ltd	XYZ Ltd provides cleaning services to the school in accordance with contract dated 20/2/17	Annual contract \$100,000. Payments in accordance with contract and up to date	15/1/17. The contract was awarded to XYZ Pty Ltd following a tender process as outlined in the note to the Parish School board papers for the 15/1/17 meeting.
2	Assistant Principal	Joe Smith	Joe Smith is the Principal's brother	Joe Smith has been employed as the Head of the Senior School	Joe Smith is employed as a Band 3 Teacher with a Leadership 4 allowance	15/2/17. Joe Smith's employment as Head of Senior School was confirmed following the review as explained in the Board minutes of the 15/2/17 meeting.

VERSION HISTORY

Version	Approval Date	Authorised By	Notes
1	February 2017	Assistant Director – School Resources Services	Originally released