

COUNCIL POLICY

Related Party Disclosures

- Policy No:** 3.3
- Policy Subject:** Related Party Disclosures
- Objectives:** To provide guidance to elected members and identified Key Management Personnel to assist in them making an informed judgement as to who is considered to be a related party and what transactions need to be considered when determining if disclosure is required. The purpose of this procedure is to stipulate the information to be requested from related parties to enable an informed judgement to be made.
- Policy Subject:** This policy relates to the requirements of Related Party Disclosures to be made in the Shire's Annual Financial Reports in compliance with AASB 124.
- Policy Statement:** That:
1. Council recognises the requirement to comply with AASB 124 and thus disclose Related Party Disclosures in each Annual Financial Report commencing from 1 July 2016 (effectively the report for the year ending 30 June 2017).
 2. This policy outlines required mechanisms to meet the disclosure requirements of AASB 124.
- Guidelines:**
- 1. Identification of Related Parties**
- AASB 124 provides that the Shire will be required to disclose in its Annual Financial reports, related party relationships, transactions and outstanding balances.
- Related parties includes a person who has significant influence over the reporting entity, a member of the key management personnel (KMP) of the entity, or a close family member of that person who may be expected to influence that person.
- KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.
- For the purposes of determining the application of the standard, the Shire has identified the following persons as meeting the definition of *Related Party*:
- An elected Council member
 - Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer, Director or Executive Manager
 - Close members of the family of any person listed above, including that person's child, spouse or domestic partner, children of a spouse or domestic partner, dependents of that person or person's spouse or domestic partner.

- Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).

The Shire will therefore be required to assess all transactions made with these persons or entities.

2. Identification of related party transactions

A related party transaction is a transfer of resources, services or obligations between the Shire (reporting entity) and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting this criteria:

- Paying rates
- Fines
- Use of Shire owned facilities such as [Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces (whether charged a fee or not)]
- Attending council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Shire for licences, approvals or permits
- Lease agreements for housing rental (whether for a Shire owned property or property sub-leased by the Shire through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Shire and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the Shire (trading arrangement)
- Sale or purchase of any property owned by the Shire, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Shire
- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Some of the transactions listed above, occur on terms and conditions no different to those applying to the general public and have been provided in the course of delivering public service objectives. These transactions are those that an ordinary citizen would undertake with council and are referred to as an Ordinary Citizen Transaction (OCT). Where the Shire can determine that an OCT was provided at arms-length, and in similar terms and conditions to other members of the public and, that the nature of the transaction is immaterial, no disclosure in the annual financial report will be required.

3. Disclosure Requirements

For the purposes of determining relevant transactions in point 2 above, elected Council members and key management personnel as identified above, will be required to complete a *Related Party Disclosures - Declaration* form for submission to financial services.

4. Ordinary Citizen Transactions (OCTs)

Management will put forward a draft resolution to Council annually, declaring that in its opinion, based on the facts and circumstances, the following OCT that are provided on terms and conditions no different to those applying to the general public and which have been provided in the course of delivering public service objectives, are unlikely to influence the decisions that users of the Council's financial statements make. As such no disclosure in the quarterly *Related Party Disclosures - Declaration* form will be required.

- Paying rates
- Fines
- Use of Shire owned facilities such as Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public

Where these services were not provided at arms-length and under the same terms and conditions applying to the general public, elected Council members and KMP will be required to make a declaration in the *Related Party Disclosures - Declaration* form about the nature of any discount or special terms received.

All other transactions

For all other transactions listed in point 2 above, elected Council members and KMP will be required to make a declaration in the *Related Party Disclosures - Declaration* form.

Frequency of disclosures

Elected Council members and KMP will be required to complete a *Related Party Disclosures - Declaration* form each quarter.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

Disclosures must be made immediately prior to the termination of employment of/by a KMP.

Confidentiality

All information contained in a disclosure return, will be treated in confidence. Generally, related party disclosures in the annual financial reports are reported in aggregate and as such, individuals are not specifically identified. Notwithstanding, management is required to exercise judgement in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and materiality. Individuals may be specifically identified, if the disclosure requirements of AASB 124 so demands.

5. Materiality

Management will apply professional judgement to assess the materiality of transactions disclosed by related parties and their subsequent inclusion in the financial statements.

In assessing materiality, management will consider both the size and nature of the transaction, individually and collectively.

Associated Regulatory Framework

AASB 124 Related Party Disclosures

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Further Information

Related Party Disclosures - Declaration form

Resolution No: Ordinary Council
Resolution Date: 27 June 2017 OC82/17
Amended: 18 December 2018 OC168/18
Source: Risk Management and Workplace
Date of review: October annually
Review Responsibility: Executive Manager Finance & Administration