

**STRATEGIC OUTCOME SUPPORTED: 11 - Strong, visionary leadership.**

**1. OBJECTIVE**

- 1.1. To define the parameters for Related Party Transactions and the level of disclosure and reporting required for council to achieve compliance with the Australian Accounting Standard AASB124 – Related Party Disclosures.

**2. SCOPE**

- 2.1. This policy addresses the four (4) different types of related party relationships that must be considered by Council:
- a. Entities related to Council; and
  - b. Key Management Personnel (KMP); and
  - c. Close family members of Key Management Personnel; and
  - d. Entities that are controlled or jointly controlled by either b. or c. above.

**3. DEFINITIONS**

- 3.1. **Key Management Personnel (KMP)** means 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.
- 3.2. **Shire of Donnybrook Balingup KMP** means:
- a. Elected Members; and
  - b. Chief Executive Officer; and
  - c. Persons employed under section 5.36 of the *Local Government Act 1995* in the capacity as a Director.
- 3.3. **AASB 124** means Australian Accounting Standards Board, Related Party Disclosures Standard 124.
- 3.4. **Close family members of KMP** means family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Shire of Donnybrook Balingup and include:
- a. the KMP's children, and spouse or domestic partner;
  - b. the KMP's parents or step-parents;
  - c. children of that KMP's spouse or domestic partner; and dependants of the KMP or the KMP's spouse or domestic partner.
- 3.5. **Entity** means a body corporate, a partnership or a trust, incorporated, or unincorporated group or body.
- 3.6. **Entity related to a KMP** means entities that are:
- a. controlled\* or jointly controlled by a KMP;

## COUNCIL POLICY FIN/CP - 9 RELATED PARTY DISCLOSURE



- b. where a KMP has significant influence over, or is a member of the key management personnel of the entity or parent of the entity (apart from Council itself); or
- c. controlled or jointly controlled by a close family member of a KMP of Council.

*\*A person or entity is deemed to have control if they have:*

- *power over the entity;*
- *exposure, or rights, to variable returns from involvement with the entity; or*
- *the ability to use power over the entity to affect the amount of returns.*

*To jointly control, a person or entity must have contractual rights or agreed sharing of control of the entity, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.*

- 3.7. **Entity Related to Council** means any entity that is either controlled, controlled jointly or is an entity over which Council has a significant influence. A person or entity is a Related Party of Council if any of the following apply:
- a. they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - b. they are an associate or belong to a joint venture of which Council is part of.
  - c. they and Council are joint venturers of the same third party;
  - d. they are part of a joint venture of a third party and Council is an associate of the third party;
  - e. they are on a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council;
  - f. they are controlled or jointly controlled by close family members of the family of a KMP;
  - g. they are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of Council; or
  - h. they, or any member of a group of which they are a part, provide KMP services to Council.
- 3.8. **Material (materiality)** means the assessment of whether by omitting it or misstating a transaction (either individually or in aggregate with other transactions), it could influence decisions that users make on the basis of an entity's financial statements. For the purpose of this Policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.
- 3.9. **Ordinary Citizen Transaction** means a transaction that an ordinary member of the community would undertake in the ordinary course of business with the Shire of Donnybrook Balingup.
- 3.10. **Related Party** means a person or entity that is related to the entity preparing its financial statements.

## COUNCIL POLICY FIN/CP - 9 RELATED PARTY DISCLOSURE



- 3.11. **Related Party Transaction** means a transfer of resources, services or obligations between the Shire of Donnybrook Balingup and a related party, regardless of whether a price is charged.
- 3.12. **Significant (significance)** means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.

### 4. POLICY STATEMENT

- 4.1. All KMPs are responsible for assessing and disclosing their own, their close family members' and their related entities' relationship with Council. All related parties must be included in the self-assessment. A disclosure form will be provided by the CEO.

#### Ordinary Citizen Transactions

- 4.2. For the purpose of this policy, an Ordinary Citizen Transaction is one that occurs between Council and KMP and/or related parties which satisfy the following criteria. The transaction must:
- occur during the normal course of Council delivering its public service goals;
  - be under the same terms that would be available to a member of the community; and
  - belong to a class of transaction that an ordinary member of the community would normally transact with Council.
- 4.3. This includes for example facility hire, and the payment of rates and dog registrations.
- 4.4. There is no obligation to disclose Ordinary Citizen Transactions. However, if the terms and conditions of what would normally be considered an Ordinary Citizen Transaction differ from normal practice, it must be disclosed.

#### Non-ordinary Citizen Transactions

- 4.5. All related party transactions that do not satisfy the definition of an Ordinary Citizen Transaction (cl 4.2) must be disclosed in accordance with AASB 124.
- 4.6. The following are examples of transactions that must be disclosed if they are with a related party and are not an Ordinary Citizen Transaction:
- purchases of sales or goods (finished or unfinished); or
  - purchases or sales of property or other assets; or
  - rendering or receiving services; or
  - leases; or
  - transfers of research and development; or
  - transfers under licence agreements; or
  - transfers under finance arrangements (including loans and equity contributions in cash or kind); or

## COUNCIL POLICY FIN/CP - 9 RELATED PARTY DISCLOSURE



- h. provisions of guarantees or collateral; or
- i. commitments to do something if a particular event occurs or does not occur in the future, including execution of contracts (recognised or unrecognised); or
- j. settlement of liabilities on behalf of Council or by Council on behalf of the related party.

### **Shire Disclosure**

- 4.7. AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:
- a. the nature of any related party relationships; and
  - b. the amount of the transactions; and
  - c. the amount of outstanding balances, including commitments, including:
    - i. their terms and conditions, whether they are secured, and the nature of the consideration to be provided in settlement; and
    - ii. details of any guarantees given or received.
  - d. provisions for doubtful debts related to the amount of outstanding balances; and
  - e. the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- 4.8. The following matters must be considered in determining the materiality and significance of any related party transactions:
- a. significance of transaction in terms of size; and
  - b. whether the transaction was carried out on non-market terms; and
  - c. whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets; and
  - d. whether the transaction is disclosed to regulatory or supervisory authorities; and
  - e. whether the transaction has been reported to senior management; and
  - f. whether the transaction was subject to Council approval.
- 4.9. Regard must also be given for transactions that are collectively, but not individually significant.
- 4.10. All transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

### **KMP Disclosure**

4.11. KMP's must provide a Related Party Disclosure in the form provided by the CEO yearly, no later than 30 June each year.

### **Review of Related Parties**

4.12. A review of KMP's and their related parties will be completed every 12 months. Events, such as a change of Councillors, Chief Executive Officer or Senior employees or a corporate restructure will also trigger a review of Council's related parties immediately following such an event.

4.13. The CEO shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of KMP shall be by (but not limited to) KMP self-assessment. KMP have a responsibility to identify and report any changes to their related parties as they occur.

4.14. The CEO shall identify suitable methodology and procedures for identifying and reporting on related party transactions such that accurate data will be collated from 01 July 2017. Identification and reporting methods shall consider:

- a. transactions occurring via Council's accounting and electronic records management systems; and
- b. other transactions not passing through Council's electronic accounting / management systems; and
- c. the identification of the associated terms and conditions of the related party transactions; and
- d. declarations in the Financial Interests Register; and
- e. information provided in Primary and Annual Returns.

4.15. If any elected member or employee believes a transaction may constitute a related party transaction, they must notify the Chief Executive Officer who will, in consultation with the Director Corporate and Community, make a determination on the matter.

### **Access to Information**

4.16. The following persons are permitted to access, use, and disclose the information provided in a related party disclosure or contained in a register of related party transactions for the purposes of cl 4.17.

- a. the Chief Executive Officer; and
- b. the Director Corporate and Community; and
- c. an Auditor of Council (including an Auditor from the WA Auditor General's Office); and
- d. other staff as determined by the Chief Executive Officer.

# COUNCIL POLICY FIN/CP - 9 RELATED PARTY DISCLOSURE



## Permitted Purposes

- 4.17. Persons specified in 4.16 may access, use, and disclose information in a related party disclosure or contained in a register of related party transactions for the following purposes:
- a. assess and verify the disclosed related party transaction; or
  - b. reconcile identified related party transactions against those disclosed in the related party disclosure or contained in a register of related party transactions; or
  - c. comply with the disclosure requirements of AASB 124; or
  - d. verify compliance with the disclosure requirements of AASB 124.

## Confidentiality

- 4.18. The following information is classified as confidential and is not available for inspection by or disclosure to the public.
- a. information (including personal information) provided by a KMP in a related party disclosure; and
  - b. personal information contained in a register of related party transactions.

## 5. DELEGATION AND AUTHORISATION

5.1. NIL

## 6. LEGISLATION

6.1. *Local Government Act 1995*

## 7. POLICY VERSION

<b>Related Policies:</b>	Nil				
<b>Related Procedure:</b>	Nil				
<b>Responsible Department:</b>	Finance				
<b>Reviewer:</b>	Director of Corporate and Community				
<b>Review Frequency:</b>	Biennial	<b>Next Due:</b>	2024	<b>Version Date:</b>	21/12/2021
Policy Version Details					
No.	Version Synopsis:	Version Decision Date:	Decision Reference:	Synergy #:	
1	Initial adoption of policy	23/07/2017	N/A	N/A	
2	<ul style="list-style-type: none"> <li>• Removed policy number 1.19 and added new policy ID; and</li> <li>• Added strategic outcome the policy supports; and</li> <li>• Moved the scope and definitions under new headings; and</li> <li>• Added numbering; and               <ul style="list-style-type: none"> <li>- Updated:                   <ul style="list-style-type: none"> <li>- References to Executive Manager to Director; and</li> <li>- CI 4.1 from "as an attachment to this policy" to "will be provided by the CEO"; and</li> <li>- CI 4.11 from "set out in the attachment" to "provided by the CEO"; and</li> </ul> </li> </ul> </li> </ul>	21/12/2021	213/21	NPP8072	

# COUNCIL POLICY FIN/CP - 9 RELATED PARTY DISCLOSURE



	<ul style="list-style-type: none"> <li>- Cl 4.12 from "Executive Managers" to "Senior Employees"; and</li> <li>- Cl 4.16 from "CEO, MFA, Accountant, an auditor... and other officers as determined by the CEO" to "CEO, DCC, an Auditor... and other staff as determined by the CEO".</li> </ul>			
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