



COUNCIL POLICY

Title: Related Parties Disclosure

Responsible Officer: Deputy Chief Executive Officer

Shire of
Kellerberrin

Version: Current

1. PURPOSE

The purpose of this policy is to ensure that an entity's financial statements contain disclosure 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 transactions.

The disclosure requirements apply to the existence of relationships regardless of whether a transaction has occurred or not. For each financial year, the Shire of Kellerberrin must make an informal 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 policy is to stipulate the information to be requested from related parties to enable an informed judgement to be made.

2. SCOPE

This policy is applied to the Shire of Kellerberrin and its elected members and employees.

3. DEFINITIONS

4. STRATEGIC CONTEXT

This policy links to core drivers:

1. Relationships that bring us tangible benefits (to the Shire and our community)
2. Our lifestyle and strong sense of community
3. We are prepared for opportunities and we are innovative to ensure our relevancy and destiny

5. POLICY STATEMENT

Identification of Related Parties

AASB 124 provides that the Shire of Kellerberrin 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 of Kellerberrin 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 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 of Kellerberrin will therefore be required to assess all transactions made with these persons or entities.

Identification of related party transactions

A related party transaction is a transfer of resources, services or obligations between the Shire of Kellerberrin (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 criterion:

- Paying rates
- Fines
- Use of Shire of Kellerberrin owned facilities such as Recreation Centre, Aquatic 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 member of KMP.
- Application fees paid to the Shire of Kellerberrin for licences, approvals or permits.
- Lease agreements for housing rental.
- Lease agreements for commercial properties.
- Monetary and non-monetary transactions between the Shire of Kellerberrin 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 of Kellerberrin (trading agreement)

Some of the transactions listed above, occur on the 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 of Kellerberrin can determine that an OCT was provided at arm's length, and in similar terms and conditions to other members of the public and, that the nature of the transaction is immaterial, no disclose in the annual financial report will be required.

Disclosure Requirements

For the purposes of determining relevant transactions in point 2 above, elected Council members and key personnel as identified above, will be required to complete a Related Part Disclosures – Declaration Form (Appendix 3) for submission to financial services.

Ordinary Citizen Transactions (OCT's)

Management will put forward a draft resolution to Council annual, declaring that in its opinion, based on the fact 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
- Paying Department of Transport registration or licencing payments
- Use of Shire of Kellerberrin owned facilities such as Recreation Centre, Aquatic 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 arm's 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 Related Party Disclosure – Declaration form annually.

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.

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.

6. RELATED LEGISLATION/ DOCUMENTATION

AASB 124 – Related Party Disclosure
Local Government Act 1995
Local Government (Financial Management Regulations) 1996

7. REVIEW DETAILS

Council Adoption	Date	February 2020	Resolution #	MIN009/20
Previous Adoption	Date	October 2016	Resolution #	MIN168/16