Governance Policy - 1.10 Related Party Transactions and Disclosures

Policy	Governance Policy – 1.10 Related Party Transactions and Disclosures
Purpose	The objective of this policy is to ensure that an entity's financial statements contain disclosures necessary for users to understand the potential effects on the financial statements may be affected by the existence of related parties and transactions. This policy outlines required mechanisms to meet the disclosure requirements of AASB 124. The purpose of this policy is to stipulate the information to be requested from related parties to enable an informed judgement to be made.

Policy

This Policy is to be applied in:

- Identifying related party transactions and relationships;
- Identifying outstanding balances including commitments between an entity and its related parties;
- Identifying circumstances in which disclosure of the above items are required; and
- Determining the disclosures to be made about those items. 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 include 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.
- 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 or any Manager reporting directly to the CEO;
    - 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; and

- 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).
- Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements. When assessing whether Council has control or joint control over an entity Council must consider AASB10 and AASB11.
- AASB128 details the criteria for determining where Council has significant influence over an entity.
- Council's Contracts Register, Leases and License Register and the Schedule of Debts Written Off will be reviewed to identify Related Party Transactions/Parties.

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

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:

Examples of related party transactions are:

- purchases or sales of goods;
- purchases or sales of property and other assets;
- rendering or receiving of services;
- rendering or receiving of goods;
- leases;
- transfers under licence agreements;
- transfers under finance arrangements (example: loans);
- provision of guarantees (given or received);
- commitments to do something if a particular event occurs or does not occur in the future;
- settlement of liabilities on behalf of Council or by Council on behalf of that related party.

Ordinary Citizen Transactions (OCTs)

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 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 disclosure in the annual financial report will be required.

Council declares 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), no disclosure in the annual *Related Party Disclosures - Declaration* form will be required for the following transactions:

- 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); and
- 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.

Disclosure Requirement

For the purposes of determining relevant transactions above, elected Council members and key management personnel as identified above, will be required to complete a Related Party Disclosures - Declaration form.

The Ordinary Citizen Transactions:

Non-material in Nature - A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

Material in Nature - A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements related party transactions that are ordinary citizen transactions assessed to be material in nature.

Materiality Assessment - The Manager of Corporate Services will review and assess the materiality of the related party transactions' that are ordinary citizen transactions to determine whether the disclosure of such transactions is necessary for an understanding of the effects of the related party transactions on the financial statements, having regard to the criteria specified.

Information Extraction - The Finance Officer will identify and extract information specified in against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

As a general rule, Council will utilise $10,000 as the threshold for materiality.

Register of Related Party Transactions

The Finance Officer will maintain and keep up to date a register of related party transactions that captures and records the information for each existing or potential related party transaction (including ordinary citizen transaction assessed as being material in nature) during the financial year.

The contents of the register of related party transactions must detail:

- The description of the related party transaction;
- The name of the related party;
- The nature of the related party's relationship with Council;
- Whether the notified related party transaction is existing or potential;
- A description of the transactional documents the subject of the related party.

Procedures

The method for identifying the close members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

The preferred method of reporting is for KMPs to provide details of Related Parties and Related Party Transactions to the Manager Corporate Services.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register held within the Corporate Services area.

Should a KMP have any uncertainty as to whether a transaction may constitute a Related Party Transaction they should contact the Manager Corporate Services who will make a determination.

Frequency of Disclosures

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

Associated Regulatory Framework

AASB 124 Related Party Disclosures Local Government Act 1995

Local Government (Financial Management) Regulations 1996 *Related Party Disclosures - Disclosure* Form

Application

Responsibility for the implementation of this policy rest with the Shire President, Councillors and Chief Executive Officer. The Policy is to be reviewed as required.

Related Procedure	Nil
Amended Authority Level	Council
Related Delegation	Nil
Related Local Law/Legislation	Nil
Reviewed	22 September 2026