Governance Policy - 1.10.2 Related Party Transaction and Disclosures by Key Management Personnel

Definitions

AASB 10 - the Australian Accounting Standards Board - Consolidated Financial Statements - details the criteria for determining whether Council has significant influence over an entity

AASB 11 - the Australian Accounting Standards Board - Joint Arrangements - details the criteria for determining whether Council has significant influence over an entity

AASB 124- the Australian Accounting Standards Board - Related Party Disclosures Standard under Section 334 of the Corporations Act 2001

AASB 128 - the Australian Accounting Standards Board - Investments in Associates and Joint Ventures - details the criteria for determining whether Council has significant influence over an entity

The Act - the Local Government Act 1993

The Regulation - the Local Government (General) Regulation 2005

Key Management Personnel - are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Material (materiality) - means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating 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.

Ordinary Citizen Transaction - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

Related Party - any person or entity that is related to the entity that is preparing its financial statements (referred to in this standard as the 'reporting entity).

Related Party Transaction - is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.

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.

Remuneration - means remuneration package and includes any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a Related Party Transaction.

Purpose of Collection, Use and Disclosure

Effective for annual financial periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its general purpose financial statements, in order to comply with Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124).

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

For more information about Council's disclosure requirements under AASB 124, please refer to Council's Related Party Disclosure Policy.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Manager Corporate Services of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year.

To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the Manager Corporate Services by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this policy;
- 30 days after a KMP commences their term or employment with Council; and
- 30 June (each year).

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with the Shire's Code of Conduct.

This includes disclosures relating to Conflicts of Interest (Pecuniary and Non- Pecuniary) and Gifts and Benefits. Council's Auditors may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.

Who are KMPs?

- 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 Director and 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).

Who are close family members of a KMP Person?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

The following table may assist you in identifying your close family members:

Definitely a close family member	Maybe a close family member
Your spouse/ domestic partner	Your brothers and sisters, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your children	Your aunts, uncles and cousins, if they could be expected to influence, or be influenced by, you in their dealings with Council
Your dependents	Your parents and grandparents, if they could be expected to influence, or be influenced by, you in their dealings with Council
Children of your spouse/domestic partner	Your nieces and nephews, if they could be Partner expected to influence, or be influenced by, you in their dealings with Council
Dependents of your spouse/domestic partner	Any other member of your family if they could be expected to influence, or be influenced, by you in their dealings with Council

What is an entity that I, or my close family member, control or jointly control?

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control

You control an entity if you have:

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

Example of control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny Development Company Pty Ltd (the company). The ordinary shares are the only shares in the company that have voting rights. Fred controls the company because he has the power to

affect the company's decisions and the return that he will get from the company. Fred will need to include the company on his related party disclosure.

Joint control

To jointly control an entity there must be contractually 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.

Example of joint control.

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the ordinary shares.

Fred and Stan are the only Directors of the company and have equal voting rights on the board. Fred and Stan have joint control of the company because any decisions require the unanimous consent of them both.

Fred will need to include the company on his related party disclosure and the entity's related party relationship with Fred and Stan

In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases, it will be less clear.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Responsible Accounting Officer for a confidential discussion.

Related Standards:

AASB 10 Consolidated Financial Statements, paragraph 5 to 18 and Appendices A (Defined Terms) and B (Application Guidance).

AASB 128 Investments in Associates and Joint Ventures, paragraph 3 (Definitions).

Shire of Peppermint Grove

Name of Key Management Personnel: _____

Position of Key Management Personnel: _____

Please read the Privacy Collection Notice provided with this notification, which explains what is a related party transaction and the purposes for which the Shire of Peppermint Grove is collecting and will use and disclose, the related party information provided by you in this notification.

Please complete the table below for each related party transaction with the Shire of Peppermint Grove that you, or a close member of your family, or an entity related to you or a close member of your family has previously entered into during the 2018/2019 financial year and which may/may not continue into future years. If there are no related party transactions, please insert Nil in the table below:

Description of Related Party Transactions	Is transaction existing/potential?	Related Party's Name (Individual or entity's name)	Related Party's Relationship / reasons why related	Description of Transaction Documents or Changes to the Related Party Relationship

Notification

I, _____ *(full name & position)*

notify that, to the best of my knowledge, as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the 2017/2018 financial year.

I make this notification after reading the Privacy Collection Notice provided by the Shire of Peppermint Grove, which details the meaning of the words "related party", "related party transaction", "close members of the family of a person" and, in relation to an entity, "control" or "joint control", and the purposes for which this information will be used and disclosed.

I permit the Responsible Accounting Officer and the other permitted recipients specified in Council's Related Party Disclosure Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy.

Signature of named key management personnel:

Date: