



RELATED PARTY DISCLOSURE POLICY

Document Status	Adopted
Statutory Environment	<p>Local Government Act 1995 Australian Accounting Standards Board (AASB) 124 Related Party Disclosures Accounting Standard (Annexure 'A') Form 'Attachment A' - Related Party Transactions Notification by Key Management Personnel Form 'Attachment B' - Privacy Collection Notice</p>

Record of Policy Review

<i>Version</i>	<i>Author</i>	<i>Council Adoption</i>	<i>Resolution</i>	<i>Reason for Review</i>	<i>Review Date</i>
01	Tony Merillo	29 June 2017	221-16/17	New Policy	
02	Tony Merillo	27 September 2018	41-18/19	<i>Policy Review Project – 10/08/2018</i>	

PURPOSE

The Related Party Disclosure Policy aims to assist Council in complying with the disclosure requirements and the level of reporting within the Financial Statements as per AASB 124 – Related Party Disclosures. It aims to define the parameters for related party transactions and the level of disclosure and reporting.

OBJECTIVE

To ensure that the Shire of Quairading ('the Shire') Financial Statements contain disclosures necessary to comply with the Australian Accounting Standard Board (AASB) Standard 124 - Related Party Disclosures, which draw attention to the possibility that the Shire's Financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances and commitments with such parties.

POLICY & PROCEDURE

The Shire complies with the requirements of AASB124 – Related Party Disclosure.

SCOPE

The Policy is to be applied in: -

- (a) identifying and recording related parties and related party relationships;
- (b) identifying and recording related party transactions and their terms and conditions;
- (c) assessing materiality and or significance of these transactions;
identifying the circumstances in which disclosure of points 1 and 2 is required;
- (d) determining the disclosures to be made about points 1 and 2; and
- (e) disclosing relevant information in the Financial Statements.

DEFINITIONS

- (a) **Related Party:** A person or an entity that is related to Council, referred to as the 'reporting entity'.
Examples of related parties of Council are: -
 - (i) Council Subsidiaries;
 - (ii) Key Management Personnel ('KMP');
 - (iii) Close family members of Key Management Personnel;
 - (iv) Entities that are controlled or jointly controlled by key management personnel or their close family members.
- (b) **Key Management Personnel (KMP):** A person or persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any manager (executive or otherwise) of that entity. In the case of the Shire of Quairading, KMP will include, but is not limited to, Councillors, Chief Executive Officer, Executive Manager of Corporate Services and Managers.
- (c) **Close Members of the Family:** Those are family members who may be expected to influence or be influenced by those individuals' dealings with Council and include:
 - (i) Children and spouse or domestic partner
 - (ii) Children of that person's spouse or domestic partner
 - (iii) Dependents of that person or that persons spouse or domestic partner

Under AASB 124, close members of family could also include extended members of family such as parents, siblings, grandparents, uncles/aunts or cousins if they could be expected to have influence or be influenced by the KMP in their dealings with Council.

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- (d) **Related Party Transactions:** These are a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged.
- (e) **Ordinary Citizen Transaction:** These are transactions that an ordinary citizen would undertake with Council, which would be undertaken at arm's length and in the ordinary course of carrying out Council's functions and activities. They would not be seen as material in nature.

Example of ordinary citizen transactions would be:

- (i) The paying of rates and charges
- (ii) The use of Council public facilities after paying the corresponding fees.
- (f) **Control:** power to govern the financial and operating policies of any entity to obtain benefits from its activities.
- (g) **Significant Influence:** The power to participate in the financial and operating policy decision of an entity but not to control those policies.

Responsibilities:

Key Management Personnel will include, but not limited to, Councillors, Chief Executive Officer, Executive Manager of Corporate Services, Executive Manager of Works & Services, IPR and Strategic Projects Officer and Electrician.

Recommended Practices:

From 1 July 2016, AASB 124 Related Party disclosures will apply to Council. This will mean that Council will be required to disclose information about related parties and Council transactions with those related parties in the 2016-17 financial statements and onwards. In the context of transactions, this means cash and non-cash transactions.

As the disclosures will form part of the financial statements, they will be subject to audit by the external auditors.

Key Management Personnel (KMP) will be identified and the position they hold with Council. They will be required to complete a disclosure Notification, which at minimum will require details of the related party, (family members and/or entities) that may have existing transaction potential with Council and the relationship.

As per paragraph 17 AASB 124, Council shall disclose compensation in total provided to KMP, and for each of the following categories,

- (a) Short term employee benefits;
- (b) Post-employment benefits;
- (c) Other long-term benefits;
- (d) Termination benefits; and
- (e) Share based payments.

For disclosure requirements of AASB 124, Council shall implement a process to capture related party transactions for reporting in the financial statements and the following will be collected through each year;

- (a) Related parties to the KMP;
- (b) Relationship to KMP;
- (c) Transactions that are monetary and/or non-monetary;
- (d) The value of the transaction if monetary;
- (e) The benefit if non-monetary;
- (f) The value of outstanding balances;
- (g) Details of commitments and/or guarantees;
- (h) Recognition for the provision of doubtful debts related to outstanding balances of related parties.

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KMP who no longer holds that role in Council will still be subject to disclosure requirements up until their status as KMP is no longer applicable. The same will apply for KMP who acquires the role in that year.

Once the related party transactions have been identified, they will be assessed and a determination will be made regarding the materiality of the transaction. This will include assessment of Ordinary Citizen Transactions and whether the terms and conditions differ from normal practice, which would then exclude them from being Ordinary Citizen Transactions.

If a Councillor believes a transaction may constitute a related party transaction, they must notify the Chief Executive Officer who will discuss the matter with the Executive Manager of Corporate Services.

If an Employee believes a transaction may constitute a related party transaction, they must notify their supervisor or manager who will discuss the matter with the Executive Manager of Corporate Services.

The Finance Department will be responsible for the maintenance of a register that captures all related party transactions of the KMP.

Privacy: Council will endeavour to ensure that only those senior staff involved in the preparation of the related party disclosures and the external auditors will have access to the Related Party Declarations [**FORM 9.21 'Attachment A' - Related Party Transactions Notification by Key Management Personnel Form**] and related party transactions.



SHIRE OF QUAIRADING

RELATED PARTY TRANSACTIONS NOTIFICATION BY KEY MANAGEMENT PERSONNEL

[Note: This document is confidential and is not RTI-accessible. See Council's Related Party Disclosure Policy]

Name of Key Management Person:

Position of Key Management Person:

Please read the Privacy Collection Notice provided with this notification, which explains what a related party transaction is and the purposes for which Council 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 Council** that you or a close member of your family, or an entity related to you or a close member of your family:*

*(a) has previously entered into **and** which will continue in the 2018/2019 financial year; or*

(b) has entered into, or is reasonably likely to enter into, in the 2018/2019 financial year.

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

FORM 9.21 - Attachment A
[Related Party Transactions Notification]

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

Notification

I _____, _____ notify that, to the best of my knowledge, information and belief,
(Full name) *(Position)*

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 2018/2019 financial year.

I make this notification after reading the Privacy Collection Notice provided by the Shire of Quairading ('the Shire'), 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 Chief Executive Officer and the other permitted recipients specified in the Shire'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 Person: _____ **Dated:** _____



SHIRE OF QUAIRADING

PRIVACY COLLECTION NOTICE

RELATED PARTY TRANSACTIONS DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual 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*.

Related parties include Council's key management personnel, 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, the 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.

http://www.aasb.gov.au/admin/file/content105/c9/AASB124_07-15.pdf

For more information about Council's disclosure requirements under the AASB 124, please refer to the Shire of Quairading Related Party Disclosure Policy 9.21.

Notifications by Key Management Personnel

In order to comply with the AASB 124, Council has adopted a policy that requires all members of its key management personnel (KMPs) to periodically provide notifications to the Chief Executive Officer (CEO) 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 key management person (a KMP) must provide a Related Party Transactions Notification, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the Chief Executive Officer 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;
- 30 November; and
- 30 June.

Also, during a financial year, a KMP must proactively notify of any new or potential related party transactions that the person knows of, or any changes to previously notified related party relationships or transactions, relevant to the subject financial year by providing to the Chief Executive Officer, additional Related Party Transactions Notifications by no later than 30 days after the person knows of the transaction or change.

Note, these related party transaction notification requirements are in addition to the notifications KMPs are required to make to comply with:

- for councillors, the material personal interests and conflicts of interest obligations in the *Local Government Act 1995* and Shire of Quairading Policy 2.1: Code of Conduct Policy; and
- the notification of interests for the register of interests required to be kept under the Local Government (Administration) Regulations 1996 Part 6.

Who are KMPs?

KMPs are persons having authority and responsibility for planning, directing and controlling the activities of Council, directly or indirectly. For Council, KMPs include:

- Councillors;
- the CEO;
- the EMCS; and
- Managers.

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:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

The definition of close members of the family of a person for the purpose of the AASB 124 is broader than the definition of "related" in relation to a person for the purpose of a register of interests under the Local Government Regulation. For the 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.

For a related party transaction, unlike a register of interests, the related party and relationship must be disclosed for both the KMP and their close family member even if the same related party entity is held jointly or in common by them.

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 dependants	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 expected to influence, or be influenced by, you in their dealings with Council
Dependants 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:

- (a) power over the entity;
- (b) exposure, or rights, to variable returns from your involvement with the entity; and
- (c) the ability to use your power over the entity to affect the amount of your returns.¹

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 transaction notification.

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.²

¹ AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).

² AASB 128 Investments in Associates and Joint Ventures, paragraph 3 (Definitions).

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 transaction notification and the entity's related party relationship with Fred and Stan.

[End of Privacy Collection Notice]