

- Objectives:** Progressive
- Outcome:** 4.1 - A resilient, efficient and effective organisation.
- Strategy:** 4.1.1 - Provide efficient, effective, innovative, professional management of Shire operations to deliver the best outcome for the community within allocated resources.

Purpose

The purpose of this policy is to stipulate the information to be requested from related parties to enable an informed judgement to be made in order to comply with the requirements of AASB124 – Related Party Disclosures.

Definitions

Related Party: A person or entity that is related to the local government that is preparing its financial statements (the Shire).

A person or a close member of that person's family is related if that person:

- (a) Has significant influence over the reporting entity; or
- (b) Is a member of the key management personnel of the reporting entity.

An entity is related if any of the following conditions applies:

- (a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- (b) A person is a member of the key management personnel of the entity;
- (c) The entity is controlled or jointly controlled by a person identified above.

Key Management Personnel (KMP): 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.

KMP for Local Government's would include Elected Members and Senior Staff (CEO and Directors).

Close Member of the Family of a Person: Those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (a) That person's children and spouse or domestic partner;
- (b) Children of that person's spouse or domestic partner;
- (c) Dependents of that person or that person's spouse or domestic partner; and
- (d) Any other close family member.

Related Party Transactions: A transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.



Policy

The objective of the standard is to ensure that the Shire's financial statements contain disclosures necessary to draw attention to the possibility that its financial position may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties in line with the requirements of AASB124 – Related Parties.

It is important to note that AASB 124 is not designed to detect and report fraud or misconduct. It is more so to enhance transparency and accountability of Council 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 Serpentine Jarrahdale must make an informed 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.

1. Identification of Related Parties

AASB 124 provides that the Shire of Serpentine Jarrahdale will be required to disclose in its Annual Financial reports; related party relationships, transactions and outstanding balances.

Related parties include person(s) who have 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.

Key management personnel 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 Serpentine Jarrahdale has identified the following persons as meeting the definition of *Related Party*:

1. Elected Members.
2. Key management personnel being the Chief Executive Officer employed under section 5.36 of the *Local Government Act 1995* and senior employees appointed under section 5.37 of the *Local Government Act 1995*, who heavily influence Council decision-making and/or direct and control significant functions of Council.
3. Close members of the family of any person listed in point 1 or 2, 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, as defined by AASB124.
4. Entities that are controlled or jointly controlled by an Elected Member, key management personnel or their close family members (entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).



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

2. Identification of Related Party Transactions

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

- Payment of rates issued by the Shire of Serpentine Jarrahdale.
- Payment of fines issued by the Shire of Serpentine Jarrahdale.
- Use of Shire of Serpentine Jarrahdale owned facilities such as Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces (whether a fee is charged or not).
- Attending council functions that are open to the public.
- Employee compensation, whether it is for key management personnel or close family members of key management personnel.
- Application fees paid to the Shire of Serpentine Jarrahdale for licences, approvals or permits.
- Lease agreements for housing rental (whether for a Shire of Serpentine Jarrahdale owned property or property sub-leased by the Shire of Serpentine Jarrahdale through a Real Estate Agent).
- Lease agreements for commercial properties.
- Monetary and non-monetary transactions between the Shire of Serpentine Jarrahdale 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 Serpentine Jarrahdale (trading arrangement).
- Sale or purchase of any property owned by the Shire of Serpentine Jarrahdale, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Shire of Serpentine Jarrahdale.
- Loan Arrangements.
- Contracts and agreements for construction, consultancy or services.

Some of the transactions listed above occur on 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 Serpentine Jarrahdale 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.

**Disclosure Requirements**

For the purposes of determining relevant transactions in point 2 above, Elected Members and key management personnel as identified above, will be required to complete a *Related Party Disclosures - Declaration* form for submission to the Shire.

Ordinary Citizen Transactions (OCTs)

The Chief Executive Officer will provide a recommendation to Council annually, declaring that in his or her 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. As such no disclosure in the quarterly *Related Party Disclosures - Declaration* form will be required.

- Payment of rates issued by the Shire of Serpentine Jarrahdale.
- Payment of fines issued by the Shire of Serpentine Jarrahdale.
- Use of Shire of Serpentine Jarrahdale owned facilities such as Recreation Centre, Civic 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 Members and key management personnel 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 Members and key management personnel will be required to make a declaration in the *Related Party Disclosures - Declaration* form.

Frequency of disclosures

Elected Members and key management personnel will be required to complete a *Related Party Disclosures - Declaration* form each quarter, commencing 1 July 2017.

The *Related Party Disclosures – Declaration* form must be completed by Elected Members and key management personnel prior to termination of office or termination of employment.

Confidentiality

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.

References

Name of Policy	1.1.9 Related Party Disclosures
Previous Policy	G020 – Related Party Disclosures (E15/5096)
Date of Adoption and Resolution Number	Adopted OCM097/07/17 24/07/2017 Ordinary Council Meeting
Review dates and Resolution Numbers	Modified OCM179/12/17 18/12/2017 Ordinary Council Meeting
Next review date	
Related documents	<p>Acts/Regulations <i>Local Government Act 1995</i> Local Government (Financial Management) Regulations 1996 Australian Accounting Standard – AASB 124 Related Party Disclosures</p> <p>Plans/Strategies Strategic Community Plan 2017 - 2027</p> <p>Policies/References Department of Local Government, Sport & Cultural Industries Guidelines AASB 124 Related Party Disclosures – Fact Sheet AASB 124 Related Party Disclosures – Implementation Guide - June 2017 E17/4866 Related Party Disclosures Declaration Form</p> <p>Delegations Nil</p> <p>Work Procedures Nil</p>

Note: changes to references may be made without the need to take the Policy to Council for review.