

# FA12 – Related Party Disclosures

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## 1 Objectives

To ensure compliance with the Australian Accounting Standard AASB 124 – Related Party Disclosures and the Local Government Act 1995 to prepare financial accountability documents, including general purpose financial statements.

## 2 Overview

Under the *Local Government Act 1995* and *Local Government (Financial Management) Regulations 1996*, all local governments in Western Australia must produce annual financial statements that comply with Australian Accounting Standards.

The Australian Accounting Standards Board has determined that from 1 July 2016, AASB 124 (Related Party Disclosures) will apply to government entities, including local governments. The Shire is now required to disclose Related Party Relationships and Key Management Personnel compensation in its Annual Financial Statements.

This Policy provides guidance on:

- the identification of the Shire’s related parties;
- management of related party transactions;
- recording such transactions; and
- disclosure of the transactions in the Shire of Bridgetown-Greenbushes Annual Financial Statements in accordance with AASB 124.

The Policy addresses the four (4) different types of related party that must be considered by the Shire:

- 1 Entities related to the Shire;
- 2 Key Management Personnel;
- 3 Close family members of Key Management Personnel; and
- 4 Entities that are controlled or jointly controlled by either 2 or 3 above.

## 3 Definitions

Australian Accounting Standards Board, Related Party Disclosures Standard 124:

### 3.1 Close family members of Key Management Personnel (KMP)

Those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Shire of Bridgetown-Greenbushes and include:

- the KMP’s children, and spouse or domestic partner;
- children of that KMP’s spouse or domestic partner; and
- dependants of the KMP or the KMP’s spouse or domestic partner.

### 3.2 Entity

Can include a body corporate, a partnership or a trust, incorporated, or unincorporated group or body.

### 3.3 Entity Related to a KMP

Related Entities to Key Management Personnel are entities that are:

- \*controlled or jointly controlled by a KMP;

- apart from Council, where a KMP has significant influence over, or is a member of the key management personnel of the entity or parent of the entity; or
- controlled or jointly controlled by a close family member of a KMP of the Shire.

\*A person or entity is deemed to have control if they have:

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

To jointly control, a person or entity must have contractual rights or 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.

### 3.4 Entity Related to the Shire

This includes any entity that is either controlled, jointly controlled or over which the Shire has a significant influence. A person or entity is a Related Party of the Shire if any of the following apply:

- they are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- they are an associate or belong to a joint venture of which the Shire is part of;
- they and the Shire are joint ventures of the same third party;
- they are part of a joint venture of a third party and the Shire is an associate of the third party;
- they are a post-employment benefit plan for the benefit of employees of either the Shire or an entity related to the Shire;
- they are controlled or jointly controlled by close family members of the family of a KMP;
- they are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of the Shire; or
- they, or any member of a group of which they are a part, provide KMP services to the Shire.

### 3.5 Key Management Personnel

AASB 124 defines KMP as “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”.

Key Management Personnel for the Shire of Bridgetown-Greenbushes are:

- Elected Members; and
- persons employed under s5.36 of the *Local Government Act 1995* in the capacity of Chief Executive Officer or Senior Executive officer.

### 3.6 Material (Materiality)

Means the assessment of whether a 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.

### 3.7 Ordinary Citizen Transaction (OCT)

A transaction that an ordinary member of the community would undertake in the ordinary course of business with the Shire of Bridgetown-Greenbushes.

### **3.8 Related Party**

A person or entity that is related to the entity preparing its financial statements.

### **3.9 Related Party Transaction**

A transfer of resources, services or obligations between the Shire of Bridgetown-Greenbushes and a related party, regardless of whether a price is charged.

### **3.10 Significant (significance)**

Likely to influence the decisions that users of the Shire's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Shire and related party outside a public service provider/taxpayer relationship.

## **4 Policy**

### **4.1 Key Management Personnel (KMP)**

All Key Management Personnel (KMP) are responsible for assessing and disclosing their own, their close family members' and their related entities' relationship with the Shire of Bridgetown-Greenbushes. All related parties must be included in the self-assessment. A disclosure form is provided as an Attachment to this Policy.

### **4.2 Related Party Transactions**

#### **4.2.1 Ordinary Citizen Transaction (OCT)**

For the purpose of this Policy, an Ordinary Citizen Transaction (OCT) is one that occurs between the Shire and KMP and/or related parties which satisfy the following criteria. The transaction must:

- occur during the normal course of the Shire delivering its public service goals;
- be under the same terms that would be available to a member of the community; and
- belong to a class of transaction that an ordinary member of the community would normally transact with the Shire.

This includes for example - facility hire, and the payment of rates and dog/cat registrations. There is no obligation to disclose OCTs.

Transactions between the Shire and Related Parties that would normally be considered OCTs but where the terms and conditions differ from normal practice however, must be disclosed.

#### **4.2.2 Non-Ordinary Citizen Transactions**

All related party transactions that do not satisfy the definition of an Ordinary Citizen Transaction (as per 2.1) must be disclosed in accordance with AASB 124.

The following are examples of transactions that must be disclosed if they are with a related party and are not an OCT:

purchases of sales or goods (finished or unfinished);

- purchases or sales of property or other assets;
- rendering or receiving services;
- leases;
- transfers of research and development;
- transfers under licence agreements;
- transfers under finance arrangements (including loans and equity contributions in cash or kind);
- provisions of guarantees or collateral;
- commitments to do something if a particular event occurs or does not occur in the future, including execution of contracts (recognised or unrecognised); and
- settlement of liabilities on behalf of the Shire or by the Shire on behalf of the related party.

### **4.3 Disclosure of Information**

#### **4.3.1 Shire disclosure**

AASB 124 provides that the Shire must disclose the following financial information in its financial statements for each financial year period:

- the nature of any related party relationships;
- the amount of the transactions;
- the amount of outstanding balances, including commitments, including:
- their terms and conditions, whether they are secured, and the nature of the consideration to be provided in settlement; and
- details of any guarantees given or received;
- provisions for doubtful debts related to the amount of outstanding balances; and
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

The following matters must be considered in determining the materiality and significance of any related party transactions:

- significance of transaction in terms of size;
- whether the transaction was carried out on non-market terms;
- whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;
- whether the transaction is disclosed to regulatory or supervisory authorities;
- whether the transaction has been reported to senior management; and
- whether the transaction was subject to Council approval.

Regard must also be given for transactions that are collectively, but not individually significant.

All transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

#### **4.4 Key Management Personnel disclosure**

In accordance with this Policy, KMP must provide a Related Party Disclosure in the form set out in the Attachment annually to coincide with the end of the financial year.

#### **4.5 Review of Related Parties**

A review of KMP's and their related parties will be completed annually. Particular events, such as a change of Elected Members, Chief Executive Officer or Senior Executive Officers or a corporate restructure will also trigger a review of the Shire's related parties immediately following such an event.

The Chief Executive Officer shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of Key Management Personnel shall be by (but not limited to) KMP self-assessment. KMP have a responsibility to identify and report any changes to their related parties as they occur.

The Chief Executive Officer shall identify suitable methodology and procedures for identifying and reporting on related party transactions such that accurate data will be collated from 01 July 2017. Identification and reporting methods shall consider:

- transactions occurring via the Shire's accounting and electronic records management systems
- other transactions not passing through the Shire's electronic accounting/management systems;

- the identification of the associated terms and conditions of the related party transactions;
- declarations in the Financial Interests Register; and
- information provided in Primary and Annual Returns.

If any elected member or employee believes a transaction may constitute a related party transaction they must notify the Chief Executive Officer who will, in consultation with the Executive Manager Corporate Services, make a determination on the matter.

## 4.6 Privacy & Confidentiality

### 4.6.1 Access to Information

The following persons are permitted to access, use and disclose the information provided in a related party disclosure or contained in a register of related party transactions for the purposes of 4.6.2.

- the Chief Executive Officer;
- Executive Manager Corporate Services;
- an Auditor of the Shire (including an Auditor from the WA Auditor General’s Office); and
- other officers as determined by the Chief Executive Officer.

### 4.6.2 Permitted purposes

Persons specified in 5.1 may access, use and disclose information in a related party disclosure or contained in a register of related party transactions for the following purposes:

- assess and verify the disclosed related party transaction;
- reconcile identified related party transactions against those disclosed in the related party disclosure or contained in a register of related party transactions;
- comply with the disclosure requirements of AASB 124; or
- verify compliance with the disclosure requirements of AASB 124.

### 4.6.3 Confidentiality

The following information is classified as confidential and is not available for inspection by or disclosure to the public:

- information (including personal information) provided by a KMP in a related party disclosure; and
- personal information contained in a register of related party transactions.

## 5 Applicable Legislation and Documents

<b>Act</b>	<p><i>Local Government Act 1995</i></p> <p>s.2.7(2)(b) – The council is to determine the local government’s policies</p> <p>Part 5, Division 6 – Disclosure of financial interests and gifts</p> <p>s.6.4 – Financial report</p>
<b>Regulation</b>	<p>Part 4 <i>Local Government (Financial Management) Regulations 1996</i> – Financial reports</p> <p>Part 6 <i>Local Government (Administration) Regulations 1996</i> – Disclosure of financial interests and gifts</p>

Local Law	N/A
Shire Policies	N/A
Related Documents	Australian Accounting Standard AASB 124
Related Procedure	N/A

## 6 Administration

Original Adoption Date	28 September 2017
Last Reviewed	30 June 2022
Scheduled Reviewed Date	27 April 2023




### 3. ORDINARY CITIZEN TRANSACTIONS – NOT PROVIDED AT ARMS LENGTH

Did you or any member of your close family use facilities provided at the Bridgetown Leisure Centre, attend any event at the Civic Centre, or use any other Council provided facility AND you received a discount or special terms that would not otherwise be offered to any other member of the public?

Name of person using the facility	Service/Facility used	Nature of Transaction	Nature of Discount or Special Conditions Received

### 4. LEASING AGREEMENTS – DOMESTIC RESIDENTIAL

Did you, a close family member or related entity, enter into a lease agreement with the Shire of Bridgetown-Greenbushes (either as lessee or lessor) for the provision of a domestic rental property (includes properties owned by the Shire and privately owned properties sub-leased through the Shire from a Real Estate agent)? Did you receive or provide a discount or special terms that would not otherwise be offered to any other member of the public?

Name of Person party to the Lease	Property Address	Term of Lease & Weekly Rental	Detail of any Non-Arms Length Conditions


### 5. LEASING AGREEMENTS – COMMERCIAL

Did you, a close family member or related entity, enter into a commercial leasing agreement with the Shire of Bridgetown-Greenbushes for the provision of a commercial property? Did you receive a discount or special terms that would not otherwise be offered to any other member of the public?

Name of Person party to the Lease	Property Address	Term of Lease & Weekly Rental	Detail of any Non Arms Length Conditions

### 6. TRADING ARRANGEMENTS

Were you or a close family member (as defined above) the owner of any business (or in a position to substantially control the business) that provided goods or services to the Shire of Bridgetown-Greenbushes? Were those goods or services provided on the same terms and conditions as those available to any other customer? If not, please provide details of the specific terms provided to the Shire.

Business Name	Goods or Services Provided	Approximate Value for the Reporting Period	Terms & Conditions

### 7. OTHER AGREEMENTS (Construction, Consultancy, Service Contracts)

Did you, a close family member or related entity, enter into any other agreements/arrangements with the Shire of Bridgetown-Greenbushes (whether or not a price was charged)? This may include (but is not limited to): construction contracts, consultancy services, service contracts (such as cleaning, maintenance, security). [For e.g. a company that a close family member controls, was awarded a contract with the Shire for building a new office facility]

Name of Person or Business/Company	Nature of Agreement	Value of Agreement	Terms & Conditions

### 8. PURCHASE OF PROPERTY

Did you, a close family member or related entity, purchase any property or other assets from the Shire of Bridgetown-Greenbushes? (This may include vehicles or other plant items, land or buildings). Was the purchase made at arms length (for e.g. at public auction), and on terms and conditions available to any other member of the public? If not, please provide details of the specific terms provided to you.

Name of Person or Entity Name	Property Purchased	Value of Purchase	Terms & Conditions

### 9. SALE OF PROPERTY

Did you, a close family member or related entity, sell any property or other assets to the Shire of Bridgetown-Greenbushes? (This may include vehicles or other plant items, land or buildings). Was the sale made at arms length, and on terms and conditions available to any other member of the public? If not, please provide details of the specific terms provided.

Name of Person or Entity Name	Property Sold	Value of Purchase	Terms & Conditions


### 10. FEES & CHARGES FOR APPLICATIONS

Did you, a close family member or related entity, make an application to Council for a trading, building, planning or development application, licence or approval, or any other type of permit or licence?

Name of Person or Entity Name	Application Type	Application and/or Receipt No.

### 11. SELF SUPPORTING LOANS

Did you, a close family member or related entity, enter into a loan agreement with the Shire of Bridgetown-Greenbushes? [For e.g. a club for which you have control]

Name of Person or Entity Name	Loan Details	Value of Loan	Terms & Conditions

### 12. OTHER LOANS

Please list any other Agreement or Arrangement you believe is a related party transaction and should be declared

Name of Person or Business/Company	Nature of Agreement	Value of Agreement	Terms & Conditions


I declare that to the best of my knowledge, the information above is a complete and accurate record of my close family members and the entities controlled, or jointly controlled by myself or my close family members. I make this declaration after reading Council Policy "Related Party Disclosures" which details the purpose for which this information will be used.

SELECT OPTION 1:  Handwritten Signature

Signed: \_\_\_\_\_ Date: \_\_\_\_/\_\_\_\_/\_\_\_\_

Once signed please provide to the Chief Executive Officer

**OR**

SELECT OPTION 2:  Electronic Signature

This form can be sent by email to the Chief Executive Officer provided the email is sent by the person making the disclosure from their work or personal email account

## RELATED PARTY DISCLOSURES INFORMATION SHEET

From 1 July 2016 local governments must disclose related party relationships, transactions and outstanding balances, including commitments, in the annual financial statements.

Related parties include Key Management Personnel (KMP), their close family members and any entities that they control or jointly control. Any transactions with these parties, whether monetary or not, will need to be identified and may need to be disclosed. Disclosure will only be made if a transaction has occurred and the disclosure may be in aggregate.

In order to meet this requirement Council has adopted a Policy that requires all KMP to provide an annual declaration identifying:

- Their close family members;
- Entities that they control or are associated with; and
- Entities that their close family members control or jointly control.

This information will be audited as part of the annual external audit.

### Who are KMP?

KMP are persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly. This includes Councillors, Chief Executive Officer, Executive Managers and any other members of staff identified by the CEO.

### Who are Close Family Members of KMP?

These are family members who may be expected to influence, or be influenced by, that person in their dealings with the Shire. The following table may assist in identifying your close family member:

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

### Example 1 of Close Family Member

Sunny Shire Council has recently employed Paul's son (George) in the Council's Parks & Gardens area. Paul is Council's Chief Financial Officer but was not involved in hiring George. This process was managed by the Human Resources Officer and included an independent assessment process. Paul did not have any influence in George securing the job.

Paul has been identified as a KMP of Council which makes him a related party. George will also be a related party of Council because he is a close family member of Paul. The recruitment process

that was undertaken for George's position is irrelevant when assessing whether George is a related party.

#### **Example 2 of Close Family Member**

The President of Happy Shire (Shelley) has lived in the Shire her whole life. In fact her family has been in the area for over five generations.

Shelley's cousin Mavis, owns and operates the local newsagency through a company Happy News Pty Ltd, in which she owns 100% of the shares. Shelley and Mavis have always been close and regularly socialise together.

Shelley has been identified as KMP of Council. From these facts it would appear that Mavis is a close family member of Shelley because she would be expected to influence, or be influenced by, that person in her dealings with Council.

Both Mavis and the company she controls, Happy News Pty Ltd would therefore be related parties of Council. Any transactions that the Council makes with the newsagency would need to be separately identified and may need to be disclosed.

#### **What is an Entity that I, or my Close Family Member, Control or Jointly Control?**

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

You control an entity if you have:

- (a) Power over the entity;
- (b) Exposure, or rights, to variable returns from involvement in the entity; and
- (c) The ability to use your power over the entity to affect the amount of your returns.

#### **Example 1 of Control**

Fred is the Shire President of Sunny Shire and owns 100% of the ordinary share 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 declaration.

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 2 of Control**

Fred is the President 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 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 declaration.

### **Example 3 of Control**

The President of Sunny Shire Council is the President of the League Heroes Inc, the local football club. This club is overseen by a committee which comprises the President and 4 other committee members. Each member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 100 members that each have a vote in electing the committee members at the club's annual general meeting.

From these facts it would appear that the President does not control or jointly control the football club so it will not be a related party of Council just because the Shire President is the President of the football club.

### **Disclosure**

Transactions between Council and related parties, whether monetary or not, are required to be identified. The transactions may be disclosed in the financial statements if they are individually significant either because of their amount or nature.

*Further information or clarification on Related Parties Disclosures should be directed to the Department of Local Government, Sport and Cultural Industries.*