Policy F3 – Related Party Disclosures

1. Policy Intention

To ensure compliance with the Australian Accounting Standard AASB124 (AASB124) related party disclosures and the *Local Government Act 1995* (the Act) to prepare financial accountability documents, including general purpose financial statements.

2. Scope

This policy provides a framework for the identification of related party relationships and the disclosure of related party transactions with Council.

3. Definitions

To assist in interpretation the following definitions shall apply:

- ***'Close family members of a person'*** shall mean those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council.
- ***'Control'*** shall mean the ability to direct the business' activities of an entity through rights or exposure to returns from its involvement with the entity.
- ***'Council Member***' shall mean the Shire President, Deputy Shire President and Councillors of the Shire of Murray***.***
- ***'Ordinary Citizen Transactions'*** shall mean transactions with a related party that are made on terms that are considered reasonable if the parties were dealing at 'arm's length'.
- ***'Key Management Personnel'*** shall mean those persons having authority and responsibility for planning, directing and controlling the activities of Council or Council entities, directly or indirectly. This shall include; Council Members, Chief Executive Officer and Senior Executives.
- ***'Related Party Transaction'*** shall mean the transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.
- ***'Senior Executives'*** shall mean an employee of the local government, (a) who reports directly to the Chief Executive Officer and (b) whose position would be considered to be a senior position in the local government's corporate structure.

4. Background

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

From 1 July 2016, the Australian Accounting Standards Board has determined that AASB124 Related Party Disclosures will apply to government entities, including local governments.

The objective of the accounting standard is to ensure that annual financial statements contain "*disclosures"* necessary for stakeholders to draw attention to the possibility that the financial position and financial performance may have been affected by transactions and outstanding balances with related parties.

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

The related party policy seeks to reduce the risk that Council's transactions may be influenced by the interests of parties related to the transaction. This occurs where the parties are in a position to influence the decision of whether a benefit is provided to them and the terms of the provision of that benefit.

It is therefore important that Key Management Personnel (KMP) act honestly and with reasonable care and diligence whilst avoiding improper use of their position and information. It is equally important that KMP of the Council are subject to a high level of accountability, including appropriate disclosure of their transactions with the Council in the annual financial statements.

5. Policy Statement

5.1 Related Parties

A related party is a person or entity that is related to the Council. The following are determined to be related parties of Council;

- KMP;
- close family members of KMP;
- any entities controlled or jointly controlled by KMP or their close family members; or
- a subsidiary, associate or joint venture of Council.

Other parties may be assessed to be related parties, from time to time, depending upon Councils structure and delegations or in accordance with the requirements of the AASB124.

KMP and other persons occupying or acting in the positions disclosed are required to complete a related party declaration to assist Council in compliance with its statutory obligations.

Declarations are required annually each financial year. Should an individual's circumstances materially change between these periods a new declaration will be required to be completed.

Management will implement and maintain a suitable system to identify related parties.

5.2 Disclosure

Transactions between Council and related parties, whether monetary or not, are required to be identified. Disclosure of these transactions within the annual financial statements will be determined in accordance with materiality by assessment against nature and size when considered individually and collectively.

Materiality thresholds are reviewed annually as part of the audit process and reported related party disclosures will be, in compliance with, the framework of the AASB124 and other relevant standards, as required.

Related party transactions excluded from disclosure requirements on the basis of ordinary citizen transactions are:

- any valid discounts and fee waivers that are available to the party as an ordinary citizen and is available to any ordinary citizen in the same circumstance; and
- any service or benefit provided as part of the normal Council business operation to the party as an ordinary citizen and is available to any ordinary citizen in the same circumstance.

Transactions that may be disclosed if between related parties include:

- any infrastructure charges,
- special waivers or reduction of fees, discounts provided despite late payments, waivers of interest on debts, or any other benefit not excluded that has been provided to the party;
- include outstanding balances owed to Council by KMP and their related parties; and
- other transactions as required by the AASB124.

Council will be cognisant of privacy and right to information requirements when dealing with the identification, retention and disclosure of related party transactions.

Policy Detail		
Responsible Directorate	Corporate Services	
Responsible Department	Finance	
Responsible Officer	Manager Finance	
Next Policy Review / Schedule	2027 (3-yearly)	
Council Adoption	**Date / Resolution**	13 October 2016 (OCM16/227)
Amendment Record	**Date / Resolution**	23 June 2022 (OCM22/070)
		19 December 2024 (OCM24/159)