

## RELATED PARTY DISCLOSURE POLICY

### 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;
  - (i) Identifying the circumstances in which disclosure of points (a) and (b) is required;
- (d) Determining the disclosures to be made about points (a) and (b); 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 Managers and Supervisors.
- (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 person's 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.
- (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, Corporate Services, Executive Manager, Works & Services and the Executive Manager, Economic Development.

#### **Recommended Practices:**

Since 1 July 2016, AASB 124 Related Party disclosures have applied to Council. This means 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.

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 Disclosures - declaration form.

### STATUTORY ENVIRONMENT

*Local Government Act 1995*

Australian Accounting Standards Board (AASB) 124 Related Party Disclosures Accounting Standard (Annexure 'A')

### APPENDIX A – Related Party Disclosure Declaration Form

Record of Policy Review						
Version	Author	Council Adoption	Resolution	Reason for Review	Next Review Date	CEO Signature
01	Tony Merillo	29/07/17	221-16/17	New Policy		
02	Tony Merillo	27/09/18	41-18/19	<i>Policy Review Project – 10/08/2018</i>		
03	Graeme Fardon	17/12/20	97-20/21	Biennial Policy Review – Minor Amendment	Dec 20	
04	Nicole Gibbs	27/10/22	97 – 22/23	Biennial Policy Review – Minor Amendment	Oct 24	
05	Marion Haeusler	27/02/2025	126 - 24/25	Biennial Review	Feb 27	

## APPENDIX A – Related Party Disclosure Declaration Form



### AASB 124 – “RELATED PARTY DISCLOSURES”

#### RELATED PARTY DISCLOSURES – DECLARATION

*As per requirements of AASB 124 Related Party Disclosures, and Business Operating Procedure – Related Party Disclosures. For additional information to assist you in making a declaration, please refer to the Appendices to this form.*

The following declaration must be completed by all Council members, the CEO and Directors of the Shire of Quairading who were elected or employed at any time during the financial year.

<b>Disclosure Period (Quarter Ended):</b>	
<b>Person making disclosure:</b>	
<b>Position held by person:</b> e.g. Councillor, Director	

**1. CLOSE MEMBERS OF THE FAMILY (See Appendix 1)**

*If there has been no change since your last declaration, please complete "No Change"*

Name of Family Member	Relationship to you

**2. ENTITIES THAT I, OR A CLOSE FAMILY MEMBER CONTROLS OR JOINTLY CONTROLS (See Appendix 2)**

*If there has been no change since your last declaration, please complete "No Change"*

Name of Entity	Name of person who has control/nature of control

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

Did you or any member of your close family use facilities provided at Recreation 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.

Note: Recreation Centre membership provided as part of employment has been provided under the same terms as those memberships provided to the public.

**4. LEASING AGREEMENTS - DOMESTIC RESIDENTIAL**

Did you, a close family member or related entity, enter into a lease agreement with the Shire of Quairading (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 rent	Detail of any non-arm's 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 Quairading 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 rent	Detail of any non-arm's 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 Quairading? 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





**8. PURCHASE OF PROPERTY**

Did you, a close family member or related entity, purchase any property or other assets from the Shire of Quairading? (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 the 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 Quairading? (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 purchased	Value of the 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 number

**11. SELF SUPPORTING LOANS**

Did you, a close family member or related entity, enter into a loan agreement with the Shire of Quairading?

For e.g. a club for which you have control (See Appendix 3 for example)

Name of person or entity name	Loan details	Value of the loan	Terms & conditions

**12. OTHER AGREEMENTS**

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	of	Terms & conditions

I declare that all information and details provided in this form are true and correct to the best of my knowledge and belief and that no known relevant information has been omitted.

I have made this declaration after reading the information supplied by Council which details the meaning of the definitions to which this declaration relates.

SELECT OPTION 1:  Handwritten Signature

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

Once signed please provide to the **Executive Manager of Corporate Services**

OR

SELECT OPTION 2:  Electronic Signature

This form can be sent by email to the **Executive Manager of Corporate Services** ([emcs@quairading.wa.gov.au](mailto:emcs@quairading.wa.gov.au)) provided the email is sent by the person making the disclosure from their work or personal (e.g. Councillors) email account.

## APPENDIX 1

### Close Family Members

Close family members include:

- a child, spouse or domestic partner;
- children of your spouse or domestic partner;
- dependents of you or your spouse or domestic partner;
- any other close family member;

who may be expected to influence, or be influenced by, your dealings with the council.

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

Definitely a close family member	May be 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

There may be relationships that a council has which are not identified in this appendix but still meet the definition of a related party.

#### Example: Cousin of Councillor

A Councillor for the Shire of Nowhere has lived in the Shire her whole life. In fact, her family has been in the area for generations.

The Councillor's cousin, owns and operates the local newsagent through a company ABC Pty Ltd, in which she owns 100% of the shares. The Councillor and her cousin have always been close and regularly socialise together.

From these facts it would appear that the Councillor's cousin is a close family member of the Councillor because she would be expected to influence, or be influenced by, that person in her dealings with Council.

Both the cousin and the company she controls, ABC Pty Ltd would therefore be related parties of Council.

Any transactions that the Council makes with the newsagent would need to be separately identified and may need to be disclosed.

## APPENDIX 2

### Control in entities

#### 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.

You control an entity if you have

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

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.

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.

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 Manager Financial Services for a confidential discussion.

#### **Example: Clubs or other incorporated bodies**

(A Shire of Nowhere Councillor is the President of a local football club)

A Shire Councillor is the President of Shire Football Club Inc, the local football club. This club is overseen by a committee which comprises the President and four 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 Councillor does not control or jointly control the football club so it will not be a related party of Council just because the Councillor is the president of the club.

## APPENDIX 3

### Other examples

#### **Example 1 (Audit committee member)**

Shire of Nowhere's audit committee comprises two Councillors and a local retired accountant, Fred. Fred has no other connection with the council.

The audit committee attends to the functions as required under the Audit Regulations. It does not make any decisions on behalf of the council but simply provides reports, with recommendations, for the Mayor and councillors to consider.

Based on the facts outlined Fred would not be a KMP of council.

**Example 2 (Son of CFO employed by council)**

The Shire of Nowhere has recently employed Paul's son (George) in the Council's parks and garden's area. Paul is Council's Deputy Chief Executive Officer but was not involved in hiring George. This process was managed by the Director of Parks and Gardens 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 3 (Cousin of Mayor - related party commonly known but omitted from declaration)**

Shelley, the President of the Shire of Nowhere forgets to include her cousin Mavis, and Mavis' company, when she completes her KMP declaration.

It is commonly known in the community that Shelley and Mavis are close and that Shelley would be expected to influence, or be influenced by, Mavis in her dealings with Council and vice versa.

Mavis and her company are related parties of Council, even though Shelley omitted them from her declaration.

**Example 4 (Example of control)**

Fred is the President of the Shire of Nowhere and owns 100% of the ordinary shares in the Shire of Nowhere 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.

**Example 5 (Example of joint control)**

Fred is the President of the Shire of Nowhere and owns 50% of the ordinary shares in the Shire of Nowhere 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.