

### 3.1.9 RELATED PARTY DISCLOSURES

#### Background

Effective from 1 July 2016 in accordance with *Australian Accounting Standard AASB124 – Related Party Disclosures*, local governments must disclose certain related party relationships and related party transactions together with information associated with those transactions in the annual financial report in order to comply with the standard.

In June 2017 the then Department of Local Government and Communities released an implementation guide for AASB124 Related Party Disclosures. The objective of this guide is to ensure local government financial statements contain the 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.

It is important to note that AASB124 is not designed to detect and report fraud or misconduct. It is more so to enhance transparency and accountability of Council transactions.

#### Purpose

The purpose of this policy Related Party Disclosures is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for the Shire of Kent to achieve compliance with the AASB124 - Related Party Disclosures.

#### Identification of Related Parties

Related parties includes a person who has 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.

KMP 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 Kent has identified the following persons as meeting the definition of Related Party:

- An elected Council member
- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director
- Close members of the family of any person listed above, 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.
- Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).

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

### Identification of Related Party Transactions

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

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

### Ordinary Citizen Transactions (OCT's)

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 Council can determine that an OCT was provided at arms 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.

The Shire of Kent exempts the following OCT transactions from reporting:

- Paying rates
- Fines and other Fees and Charges
- Use of Shire of Kent owned facilities such as recreation centres, public halls, libraries, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public
- Supply of gravel sand or other materials, goods or services that any other ratepayer can or does provide to Council.

### Frequency of Disclosures

~~Elected Council members and KMP will be required to complete a Related Party Disclosures - Declaration form each quarter.~~

Frequency of disclosures Elected Council members and KMP will be required to complete a Related Party Disclosures - Declaration form annually or when they leave the Shire of Kent as an elected member or on cessation of employment, whichever comes earlier.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

### Confidentiality

All information contained in a disclosure return, will be treated in confidence. 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 AASB124 so demands.

### Document Control

Policy Number	3.1.9
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Creation Date	
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Next Review Due	This policy will be reviewed annually or more often where circumstances require.
Legislation:	<i>Local Government Act 1995</i>
Related Documents:	AASB24 – Related Party Disclosures