CF017	RELATED PARTIES DISCLOSURES		
POLICY OWNER:	Council		
DEPARTMENT:	Office of the CEO	**RESPONSIBLE OFFICER:**	Manager People, Culture & Systems
CREATION DATE:	23/08/2022	**REVIEW SCHEDULE:**	Annually
RELATED PROCEDURES:			
RELATED FORMS:			
RELATED DELEGATIONS:			
RELATED POLICIES:			
LEGISLATION:	AASB 124 Related Party Disclosures Local Government Act 1995 Local Government (Financial Management) Regulations 1996 Corporations Act 2001		
DOCUMENT CONTROL			
DATE REVIEWED:	**REVIEWED BY:**	**CHANGES (IF ANY):**	**ENDORSED BY COUNCIL:**
23/08/2022	Council	Nil	FC7/8/22
28/11/2023	Council	Nil	OCM 11/11/23
24/09/2024	Council	Nil	OCM03/09/24

CF017 Related Parties Disclosures

OBJECTIVES

To ensure that the Shire of Carnarvon's financial statements contain disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and transactions.

Potential effects on the financial statements need to be properly identified, recorded in Council's systems, and need to be disclosed in Council's general purpose financial statements in compliance with the AASB 124, the Information Privacy Act 2009 and the Right to Information Act 2009.

POLICY STATEMENT/S

The purposes of this policy are to:

- Identify all Related Parties,
- Identify Related Party Transactions,
- Highlight the disclosure requirements of all Key Management Personnel and elected members,
- Identify review responsibility,
- Identify Ordinary Citizen 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 Carnarvon must make an informed judgement as to who is considered a related party and what transactions need to be considered, when determining if disclosure is required.

Proper procedure is to be followed to enable an informed judgement to be made from the information requested from related parties.

This policy applies to all key management personnel, and elected members.

Local Government (Financial Management) Regulations 1996, Regulation 5A, requires Council to prepare its general financial statements in compliance with the Australian Accounting Standards, this now includes the AASB 124.

<u>Requirements</u>

- All key management personnel are to complete the Related Party Disclosures – Declaration form,
- All Related Party Transactions must be disclosed,
- Ordinary Citizen Transactions (OCTs) are to be reviewed every year by Management,
- Shire of Carnarvon has a legal obligation to report on Related Party Disclosures annually,
- Disciplinary action may occur for breach of this policy.

<u>Identification of Related Parties</u>

AASB 124 provides that local governments are to disclose in their Annual Financial reports, related party relationships, transactions, and outstanding balances.

Related parties include a person who has significant influence over the reporting entity (Shire of Carnarvon), 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 Carnarvon has identified the following persons as meeting the definition of Related Party:

- An elected member of Council
- Key management personnel being a person employed under s5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director, senior executive employees and managers.
- Close members of the family of any person listed above, including the 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 Elected 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 Carnarvon 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 Carnarvon (reporting entity) and the related party, regardless of whether a price is charged.

To determine whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting these criteria:

- Paying rates
- Fines
- Use of Shire of Carnarvon owned facilities such as 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
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Shire of Carnarvon for licences, approvals or permits
- Lease agreements for housing rental (whether for a Shire owned property or property sub-leased by the Shire of Carnarvon through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Shire 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 (trading agreement)
- Sale or purchase of any property owned by a person identified above, to the Shire of Carnarvon
- Sale or purchase of any property owned by the Shire, to a person identified above
- Loan agreements
- Contracts or agreements for construction, consultancy, or services

Some of the transactions listed above, occur on terms and conditions no different to those applying to the public and have been provided while 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 Carnarvon 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, elected members and key management personnel as identified below, will be required to complete a Related Party Disclosures – Declaration form for submission to financial services.

Ordinary Citizen Transactions (OCTs) Management will put forward a draft resolution every year to Council, declaring that in its opinion, based on the facts and circumstances, the following OCT 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:

- Paying rates,
- Fines,
- Use of Shire owned facilities such as the Civic Centre, library, aquatic centre, parks, ovals, and other public open spaces (whether charged a fee or not),
- Attending council functions that are open to the public,
- 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 occurring within normal employee, customer, or supplier relationships and at arm's length.

Where these services were not provided at arm's length and not under the same terms and conditions applying to the public, elected members and KMP will be required to make a declaration in the Related Party Disclosures – Declaration form about the nature of any discount or special terms received.

<u>All other transactions</u>

For all other transactions listed, elected members and KMP will be required to make a declaration in the Related Party Disclosures – Declaration form.

<u>Frequency of disclosures</u>

Elected members and KMP will be required to complete a Related Party Disclosures – Declaration form annually. Disclosures must be made by all elected members immediately prior to any ordinary or extraordinary election. Disclosures must be made immediately prior to the termination of employment of/by a KMP.

<u>Confidentiality</u>

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 AASB 124 so demands.

The following persons are permitted to access, use and disclose the information (including personal information) provided in a Related Party Disclosures – Declaration form or contained in a register of related party transactions for the purposes of assessing, reconciling, complying and verifying:

- An elected member
- Chief Executive Officer
- Executive Manager of Corporate and Community Services and Manager of Finance being responsible for the preparation of financial reporting
- Financial officers within the Shire's unit of administration responsible for the preparation of financial reporting authorised by Management
- Members of Council's Audit Committee
- An auditor of Council

<u>Materiality</u>

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.

<u>Register of Related Party Transactions</u>

<u>Maintain a Register</u>

Finance employees must maintain and keep up to date a register of related party transactions that captures and records the information specified in the Declaration forms for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year.

<u>Contents of Register</u>

The contents of the register of related party transactions must detail for each related party transaction:

- The description of the related party transaction,
- The name of the related party,
- The nature of the related party's relationship with Shire,
- Whether the notified related party transaction is existing or potential,
- A description of the transactional documents the subject of the related party transaction,
- The information specified in the Declaration form.