CGP009 – Related Party Disclosure

1.   Intention

To ensure compliance with *Local Government Act 1995*, *Local Government (Financial Management) Regulations 1996* and Australian Accounting Standard *AASB 124 – Related Party Disclosures*.

2.   Scope

This policy applies to Elected Members and employees of the Shire of Waroona.

3.   Statement

Section 6.4 of the *Local Government Act 1995* and Regulation 36 of the *Local Government (Financial Management) Regulations 1996* give advice of how to produce the annual financial report.

The objective of AASB124 is to ensure an entity's financial statements contain the disclosure necessary to draw attention to the possibility that its financial position and profit and loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

This policy gives guidance on:

- Identifying related party transactions and relationships;
- Identifying outstanding balances including commitments between an entity and its related parties;
- Identifying circumstances in which disclosure of the above items are required; and
- Determining the disclosures to be made about those items.

4.   Identification of Related Parties

AASB 124 provides that the Shire of Waroona will be required to disclose in its Annual Financial reports, related party relationships, transactions and outstanding balances.

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

- An elected member;
- Key management personnel including the Chief Executive Officer, Director Corporate Services, Director Infrastructure Services, Director Planning and Sustainability, Manager Corporate Services and Manager Works;
- 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; and
- 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 Waroona will therefore be required to assess all transactions made with these persons or entities.

5. Identification of Related Party Transactions

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

Some transactions 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 Shire of Waroona 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.

6. Disclosure Requirements

For the purposes of determining relevant transactions elected members and key management personnel as identified above, will be required to complete G7 – Related Party Disclosure Form for submission to the Manager of Corporate Services on an annual basis.

7. 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 *AASB 124* so demands.

8. Materiality

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.

A local government shall also disclose in its annual financial statements key management personnel compensation in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits; and
- Share-based payment.

9. Legislative and Strategic Context

Australian Accounting Standards Board Standard 124 and the *Local Government Act 1995* and the associated subsidiary legalisation, provide the broad framework within which this policy operates.

10. Review

This policy is to be reviewed as required.

11. Associated Documents

Nil.

Division	Corporate & Governance			
Policy Number	CGP009			
Contact Officer	Manager Corporate Services			
Related Legislation	AASB124 Related Party Disclosure Local Government Act 1995 Local Government (Financial Management) Regulations 1996			
Related Shire Documents	CGMP007 – Related Party Disclosure CG8 – Related Party Disclosure Form			
Risk Rating	Medium	Review Frequency	As required	Next Review	When required
Date Adopted	18/12/2018			OCM18/12/126

Amendments		
Date	**Details of Amendment**	**Reference**
22/06/2021	Updated as part of major review and reformatted.	OCM21/06/071
Previous Policies		
CORP052 – Related Party Disclosure		