

DRAFT

6.26 Related Party Transaction and Disclosures (AASB 124) Policy

Objective

The objective of this policy is to ensure that an entity's financial statements contain disclosures necessary for users to understand the potential effects on the financial statements may be affected by the existence of related parties and transactions.

This policy outlines required mechanisms to meet the disclosure requirements of AASB 124.

The purpose of this policy is to stipulate the information to be requested from related parties to enable an informed judgement to be made.

Strategy

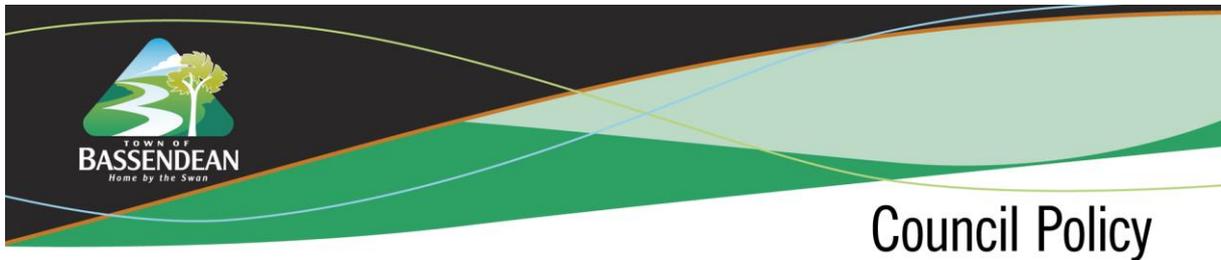
This Policy is to be applied in:

- 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.

Related Parties

AASB 124 provides that the Town 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.



For the purposes of determining the application of the standard, the Town 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 and any Manager reporting directly to the CEO;
- 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).
- Entities controlled by Council, jointly controlled by Council or over which Council has significant influence are related parties of Council. Council will need to identify transactions with these entities and may need to make extra disclosure about them in Council's financial statements. When assessing whether Council has control or joint control over an entity Council must consider AASB10 and AASB11. AASB128 details the criteria for determining whether Council has significant influence over an entity.

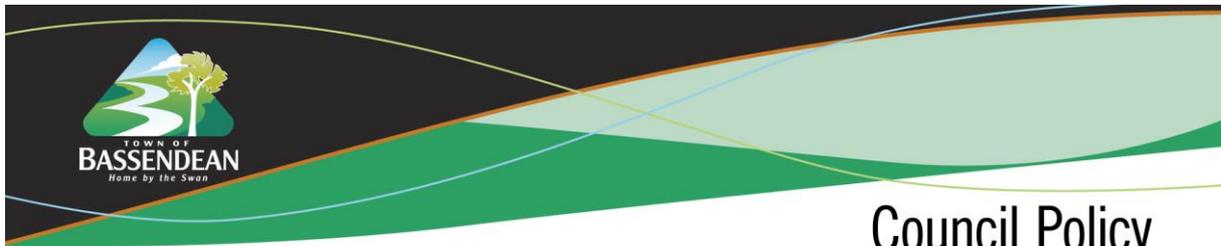
Council's Contracts Register, Leases and License Register and the Schedule of Debts Written Off will be reviewed to identify Related Party Transactions/Parties.

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

Related party transactions

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



Examples of related party transactions are:

- (a) purchases or sales of goods;
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) rendering or receiving of goods;
- (e) leases;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (example: loans);
- (h) provision of guarantees (given or received);
- (i) commitments to do something if a particular event occurs or does not occur in the future;
- (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.

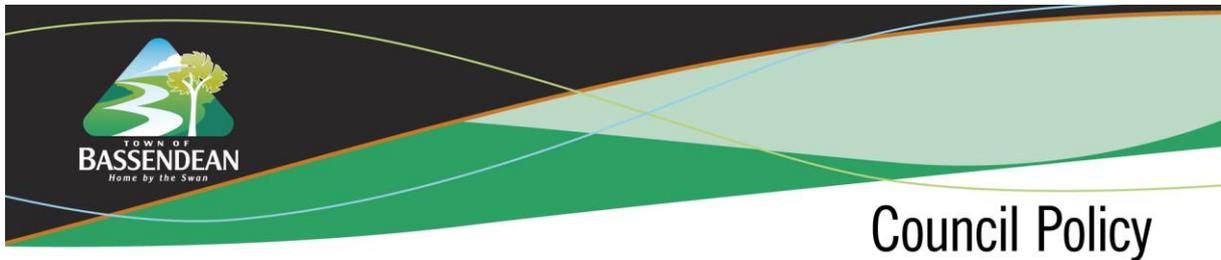
Ordinary Citizen Transactions (OCTs)

These transactions are those that an ordinary citizen would undertake with council and are referred to as an Ordinary Citizen Transaction (OCT). Where the Town 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.

Council declares that in its opinion, based on the facts and circumstances, the following OCT (*that are provided on terms and conditions no different to those applying to the general public and which have been provided in the course of delivering public service objectives, are unlikely to influence the decisions that users of the Council's financial statements make*), **no disclosure** in the quarterly *Related Party Disclosures - Declaration* form will be required for the following transactions:

- Paying rates;
- Fines;
- Use of Town owned facilities such as Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces (whether charged a fee or not); and
- Attending Council functions that are open to the public.

Where these services were not provided at arms length and under the same terms and conditions applying to the general public, elected Council 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.



Disclosure Requirements

For the purposes of determining relevant transactions above, elected Council members and key management personnel as identified above, will be required to complete a *Related Party Disclosures - Declaration* form.

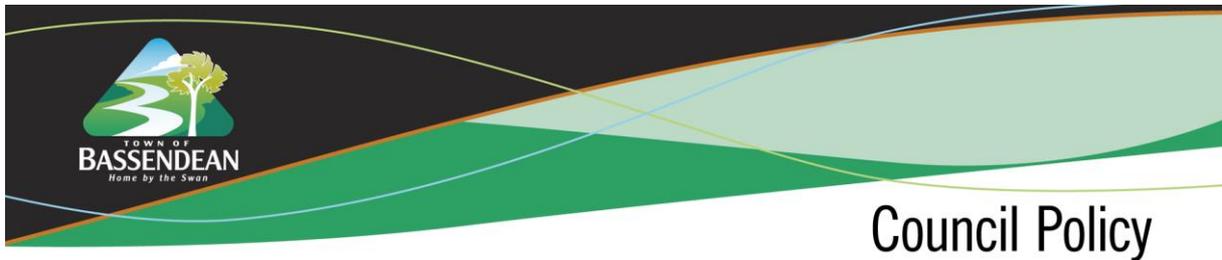
The Ordinary Citizen Transactions:

- a) **Non-material in Nature** - A KMP is not required to notify in a RPT Notification, and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature
- b) **Material in Nature** - A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements related party transactions that are ordinary citizen transactions assessed to be material in nature.
- c) **Materiality Assessment** - The Manager of Corporate Services will review and assess the materiality of the related party transactions' that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the financial statements, having regard to the criteria specified.
- d) **Information Extraction** - The Finance Officer will identify and extract information specified in against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

As a general rule, Council will utilise \$10,000 as the threshold for materiality.

Register of Relation Party Transaction

1. The Finance Officer will maintain and keep up to date a register of related party transactions that captures and records the information for each existing or potential related party transaction (including ordinary citizen transaction assessed as being material in nature) during the financial year.
2. The contents of the register of related party transactions must detail:
 - a. The description of the related party transaction;
 - b. The name of the related party;
 - c. The nature of the related party's relationship with Council;
 - d. Whether the notified related party transaction is existing or potential;
 - e. A description of the transactional documents the subject of the related party.



Procedures

The method for identifying the close members and associated entities of KMP will be by KMP self-assessment. KMP have an ongoing responsibility to advise Council immediately of any Related Party Transactions.

The preferred method of reporting is for KMPs to provide details of Related Parties and Related Party Transactions to the Manager Corporate Services.

Information provided will be reviewed in accordance with the Council's operational requirements and held on a centralised register held within the Corporate Services area.

Should a KMP have any uncertainty as to whether a transaction may constitute a Related Party Transaction they should contact the Manager Corporate Services who will make a determination.

Frequency of disclosures

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

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

Disclosures must be made immediately prior to the termination of employment of/by a KMP.

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.

Associated Regulatory Framework

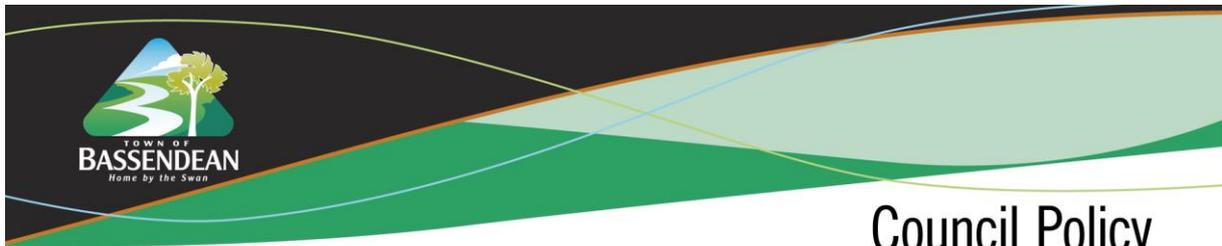
AASB 124 Related Party Disclosures

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Related Party Disclosures – Disclosure Form

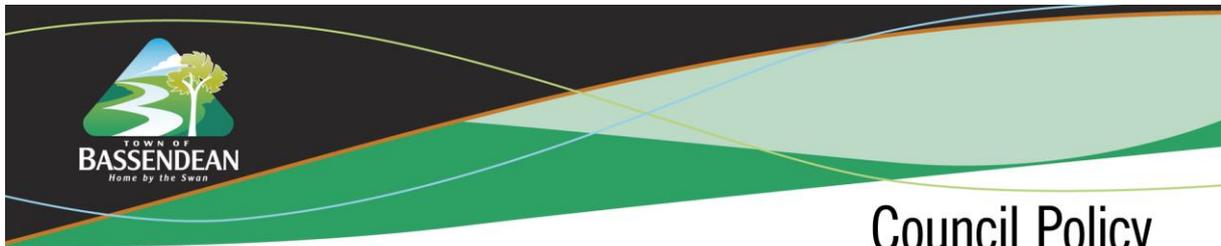
Application



Council Policy

Responsibility for the implementation of this policy rest with the Mayor, Councillors and Chief Executive Officer. The Policy is to be reviewed as required.

Policy Type: Strategic Policy	Responsible Officer: Chief Executive Officer and Director Corporate Services
Link to Strategic Community Plan: Leadership and Governance	Last Review Date: N/A Version 1 – August 2017
	Next Review due by: As Required



Council Policy

PRIVACY COLLECTION NOTICE RELATED PARTY TRANSACTIONS AND DISCLOSURES BY KEY MANAGEMENT PERSONNEL

Purpose of Collection, Use and Disclosure

Effective for annual financial periods beginning on or after 1 July 2016, Council must disclose certain related party relationships and related party transactions together with information associated with those transactions in its general purpose financial statements, in order to comply with *Australian Accounting Standard AASB 124 Related Party Disclosures July 2015 (AASB 124)*.

Related parties include Council's key management personnel (KMP), their close family members, and any entities that they or any of their close family members control or jointly control.

A related party transaction is any transaction (whether a transfer of resources, services or obligations) between the reporting local government and any of the related parties, whether monetary or not.

If there is a related party transaction with Council applicable to a reporting financial year, AASB 124 requires Council to disclose in the financial statements the nature of the related party relationship and information about the transaction, including outstanding balances and commitments associated with the transaction. Disclosure in the financial statements may be in the aggregate and/or made separately, depending on the materiality of the transaction.

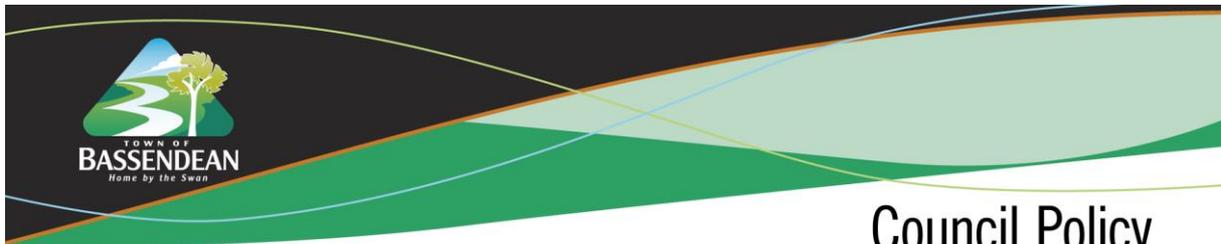
For more information about Council's disclosure requirements under AASB 124, please refer to Council's Related Party Disclosure Policy.

Notifications by Key Management Personnel

In order to comply with AASB 124, Council has adopted a policy that requires all members of its KMP to periodically provide notifications to the Manager Corporate Services of any existing or potential related party transactions between Council and any of their related parties during a financial year, and any changes to previously notified related party relationships and transactions relevant to the subject financial year.

To this end, each KMP must provide a Related Party Disclosure, in the approved form, notifying any existing or potential related party transactions between Council and any related parties of the KMP, to the Manager Corporate Services by no later than the following periods during a financial year:

- 30 days after the commencement of the application of this policy;



Council Policy

- 30 days after a KMP commences their term or employment with Council; and
- 30 June (each year).

Note, these related party disclosure requirements are in addition to the notifications KMPs are required to make to comply with the Town's Code of Conduct.

This includes disclosures relating to Conflicts of Interest (Pecuniary and Non Pecuniary) and Gifts and Benefits. Council's Auditors may audit related party information as part of the annual external audit.

For privacy and right to information status of this information, please refer to Council's Related Party Disclosure Policy.

Who are KMPs?

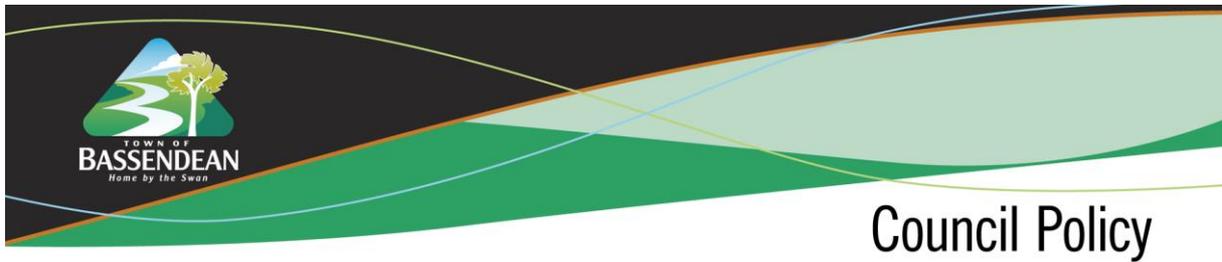
- An elected Council member;
- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director and any Manager reporting directly to the CEO;
- Close members of the family of any person listed above, including 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).

Who are close family members of a KMP Person?

Close family members, or close members of the family, of a KMP are family members who may be expected to influence, or be influenced by, that person in their dealings with Council and include:

- that person's children and spouse or domestic partner;
- children of that person's spouse or domestic partner; and
- dependents of that person or that person's spouse or domestic partner.

Under AASB 124, close family members could include extended members of a family (such as, without limitation, a parent, grandparent, siblings, etc) *if* they could be expected to influence, or be influenced by, the KMP in their dealings with Council.



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

Definitely a close family member	Maybe 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 dependents	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
Dependents 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

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.

Control

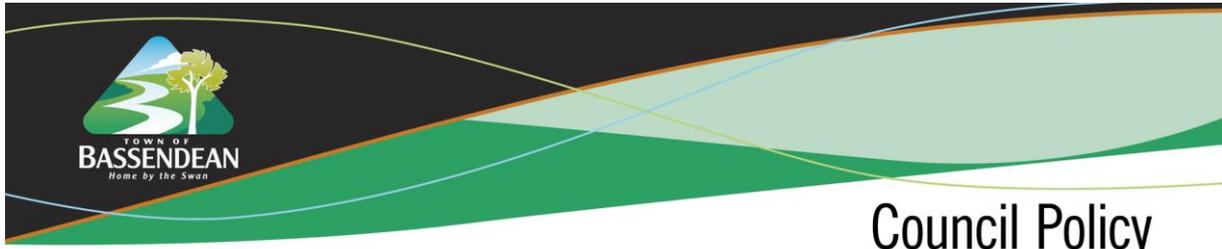
You control an entity if you have:

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

Example of control

Fred is the Mayor of Sunny Shire Council and owns 100% of the ordinary shares in Sunny 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 disclosure.



Joint control

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.

Example of joint control

Fred is the Mayor of Sunny Shire Council and owns 50% of the ordinary shares in Sunny Development Company Pty Ltd (the company). Fred's brother Stan owns the other 50% of the 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 disclosure and the entity's related party relationship with Fred and Stan.

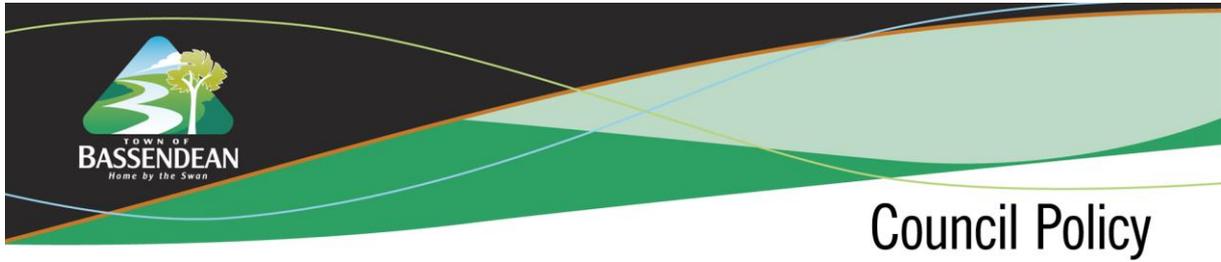
In some cases, it will be obvious that you or a family member control or have joint control over an entity. In other cases it will be less clear.

If you are unsure whether you, or a close family member, has control or joint control of an entity then you should contact the Responsible Accounting Officer for a confidential discussion.

Related Standards:

AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance).

AASB 128 Investments in Associates and Joint Ventures, paragraph 3 (Definitions).



Notification

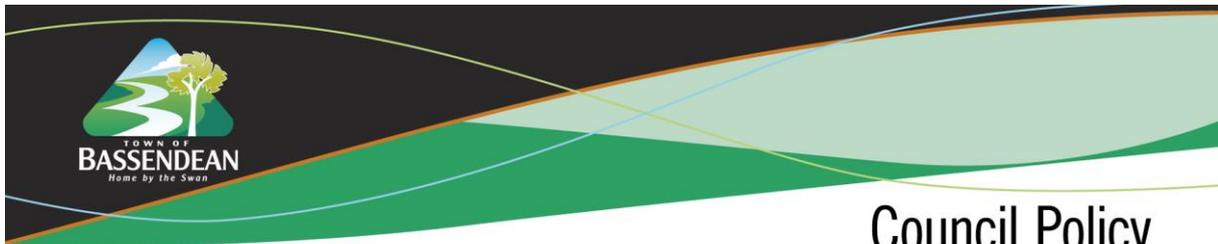
I, _____ (Full name and position), notify that, to the best of my knowledge, as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled or jointly controlled by me or close members of my family, relevant to the 2016/2017 financial year.

I make this notification after reading the Privacy Collection Notice provided by the Town of Bassendean, which details the meaning of the words “related party”, “related party transaction”, “close members of the family of a person” and, in relation to an entity, “control” or “joint control”, and the purposes for which this information will be used and disclosed.

I permit the Responsible Accounting Officer and the other permitted recipients specified in Council’s Related Party Disclosure Policy to access the register of interests of me and persons related to me and to use the information for the purposes specified in that policy.

SIGNATURE OF NAMED KEY MANAGEMENT PERSONNEL:

DATED: _____



Definitions

AASB 10 - the Australian Accounting Standards Board - Consolidated Financial Statements - details the criteria for determining whether Council has significant influence over an entity

AASB 11 - the Australian Accounting Standards Board - Joint Arrangements - details the criteria for determining whether Council has significant influence over an entity

AASB 124 - the Australian Accounting Standards Board - Related Party Disclosures Standard under Section 334 of the *Corporations Act 2001*

AASB 128 - the Australian Accounting Standards Board - Investments in Associates and Joint Ventures - details the criteria for determining whether Council has significant influence over an entity

The Act - *the Local Government Act 1993*

The Regulation - *the Local Government (General) Regulation 2005*

Key Management Personnel - are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the entity.

Material (materiality) - means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. For the purpose of this policy, it is not considered appropriate to set either a dollar value or a percentage value to determine materiality.

Ordinary Citizen Transaction - means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

Related Party - any person or entity that is related to the entity that is preparing its financial statements (referred to in this standard as the 'reporting entity').

Related Party Transaction - is a transfer of resources, services or obligations between a Council and a related party, regardless of whether a price is charged.

Significant (significance) - means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/taxpayer relationship.

Remuneration - means remuneration package and includes any money, consideration or benefit received or receivable by the person but excludes reimbursement of out-of-pocket expenses, including any amount received or receivable from a Related Party Transaction.