# Policy 2.2.11 – Related Party Disclosures

## 1. Policy Purpose

The purpose of this policy is to ensure that the Shire of Harvey's (Shire) 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 in line with the requirements of AASB 124 – Related Party Disclosures.

It is important to note that AASB 124 is not designed to detect and report fraud or misconduct. It is to enhance transparency and accountability of Shire transactions.

## 2. Policy Scope

To identify related parties and transactions, outstanding balances and the disclosure requirements in line with AASB 124 – Related Party Disclosures.

This Policy applies to Key Management Personnel and Related Parties of the Shire of Harvey.

## 3. Policy

### 3.1. Key Management Personnel (KMP)

All Key Management Personnel (KMP) are responsible for assessing and disclosing their own, their close family members' and their related entities' relationship with the Shire. All related parties must be included in the self-assessment.

### 3.2. Related Party Transactions

#### 3.2.1. Ordinary Citizen Transaction

For the purpose of this Policy, an Ordinary Citizen Transaction is one that occurs between the Shire and KMP and/or related parties which satisfy the following criteria; the transaction must:

- Occur during the normal course of Council delivering its public service goals.
- Be under the same terms that would be available to a member of the community.

- Belong to a class of transaction that an ordinary member of the community would normally transact with Council.

This includes for example facility hire, and the payment of rates and dog registrations.

There is no obligation to disclose Ordinary Citizen Transactions.

Transactions between Council and Related Parties that would normally be considered Ordinary Citizen Transactions but where the terms and conditions differ from normal practice however, must be disclosed.

### 3.2.2. Non-ordinary Citizen Transactions

All related party transactions that do not satisfy the definition of an Ordinary Citizen Transaction must be disclosed in accordance with AASB 124.

The following are examples of transactions that must be disclosed if they are with a related party and are not an Ordinary Citizen Transaction:

- Purchases or sales or goods (finished or unfinished).
- Purchases or sales of property or other assets.
- Rendering or receiving services.
- Leases.
- Transfers of research and development.
- Transfers under licence agreements.
- Transfers under finance arrangements (including loans and equity contributions in cash or kind).
- Provisions of guarantees or collateral.
- Commitments to do something if a particular event occurs or does not occur in the future, including execution of contracts (recognised or unrecognised).
- Settlement of liabilities on behalf of Council or by Council on behalf of the related party.

## 3.3. Disclosure of Information

### 3.3.1. Council disclosure

AASB 124 provides that Council must disclose the following financial information in its financial statements for each financial year period:

- The nature of any related party relationships.
- The amount of the transactions.

- The amount of outstanding balances, including commitments, including:
    - Their terms and conditions, whether they are secured, and the nature of the consideration to be provided in settlement.
    - Details of any guarantees given or received.
- Provisions for doubtful debts related to the amount of outstanding balances.
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

The following matters must be considered in determining the materiality and significance of any related party transactions:

- Significance of transaction in terms of size.
- Whether the transaction was carried out on non-market terms.
- Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets.
- Whether the transaction is disclosed to regulatory or supervisory authorities.
- Whether the transaction has been reported to senior management.
- Whether the transaction was subject to Council approval.

Regard must also be given for transactions that are collectively, but not individually significant.

All transactions involving related parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

#### 3.3.2. Key Management Personnel disclosure

In accordance with this Policy, KMP must annually provide a Related Party Disclosure in the form set out by the Shire no later than the 31 August of each year relating to Related Party Disclosures for the previous year ending 30 June.

### 3.4. Review of Related Parties

A review of KMP and their related parties will be completed every 12 months. Particular events, such as a change of Councillors, Chief Executive Officer or Directors or a corporate restructure will also trigger a review of the Shire's related parties immediately following such an event.

The Chief Executive Officer shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of Key Management Personnel shall be by (but not limited to) KMP self-assessment. KMP have a responsibility to identify and report any changes to their related parties as they occur.

The Chief Executive Officer shall identify suitable methodology and procedures for identifying and reporting on related party transactions such that accurate data will be collated. Identification and reporting methods shall consider:

- Transactions occurring via the Shire's accounting and electronic records management systems.

- Other transactions not passing through the Shire's electronic accounting / management systems.

- The identification of the associated terms and conditions of the related party transactions.

- Declarations in the Financial Interests Register.

- Information provided in Primary and Annual Returns.

If any elected member or employee believes a transaction may constitute a related party transaction they must notify the Chief Executive Officer who will, in consultation with the Director Corporate Services, make a determination on the matter.

## 3.5 Privacy and Confidentiality

Related party disclosure information must be collected, used, stored, disclosed and retained in accordance with AASB 124, the Local Government Act 1995, the State Records Act 2000, the Shire's Record Keeping Plan and the Privacy and Responsible Information Sharing Act 2024.

### 3.5.1. Access to Information

The following persons are permitted to access, use and disclose the information provided in a related party disclosure or contained in a register of Related Party Transactions for the purposes of 3.5.2:

- The Chief Executive Officer

- Director Corporate Services

- Finance Manager

- An Auditor of the Shire (including an Auditor from the Office of Auditor General)

- Other officers as determined by the Chief Executive Officer.

### 3.5.2. Permitted purposes

Persons specified in 3.5.1 may access, use and disclose information in a Related Party Disclosure or contained in a register of Related Party Transactions for the following purposes:

- Assess and verify the disclosed related party transaction.

- Reconcile identified related party transactions against those disclosed in the related party disclosure or contained in a register of related party transactions.

- Comply with the disclosure requirements of AASB 124.

- Verify compliance with the disclosure requirements of AASB 124.

#### 3.5.3. Confidentiality

The following information is classified as confidential and is not available for inspection by or disclosure to the public:

- Information (including personal information) provided by a KMP in a related party disclosure.

- Personal information contained in a register of related party transactions.

### 3.6. Responsibilities

The Director Corporate Services is responsible for ensuring Related Party Disclosures are reported in the Annual Report, with designated Key Management Personnel responsible for declaring Related Party Disclosures in accordance with AASB 124 and Council Policy.

## 4. Strategic Objective

The policy aligns with the following strategic objective**:**

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| | **Performance**<br>A representative leadership that is future thinking, transparent and accountable. |

## 5. Definitions

**AASB 124 – Australian Accounting Standards Board, Related Party Disclosures Standard 124** means Close family members of Key Management Personnel (KMP). Those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the Shire of Harvey and include:

- The KMP's children, and spouse or domestic partner.

- Children of that KMP's spouse or domestic partner.

- Dependents of the KMP or the KMP's spouse or domestic partner.

**Entity** means a body corporate, a partnership or a trust, incorporated, or unincorporated group or body.

**Entity Related to a KMP** means Related Entities to Key Management Personnel are entities that are:

- Controlled or jointly controlled by a KMP.

- Apart from Council, where a KMP has significant influence over, or is a member of the key management personnel of the entity or parent of the entity.

- Controlled or jointly controlled by a close family member of a KMP of Council.

A person or entity is deemed to have control if they have:

- Power over the entity

- Exposure, or rights, to variable returns from involvement with the entity
- The ability to use power over the entity to affect the amount of returns.

To jointly control, a person or entity must have contractual rights or 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.

**Entity Related to Council** means any entity that is either controlled, jointly controlled or over which Council has a significant influence. A person or entity is a Related Party of Council if any of the following apply:

- They are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
- They are an associate or belong to a joint venture of which Council is part of.
- They and Council are joint ventures of the same third party.
- They are part of a joint venture of a third party and Council is an associate of the third party.
- They are a post-employment benefit plan for the benefit of employees of either Council or an entity related to Council.
- They are controlled or jointly controlled by close family members of the family of a KMP.
- They are identified as a close or possibly close member of the family of a person with significant influence over Council or a close or possibly close member of the family of a person who is a KMP of the Shire.
- They, or any member of a group of which they are a part, provide KMP services to the Shire.

**Key Management Personnel (KMP)** means AASB 124 defines KMP as "those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity".

Key Management Personnel for the Shire of Harvey are:

- Elected Council Members (including the President).
- Persons employed under s5.36 of the *Local Government Act 1995* in the capacity of Chief Executive Officer.
- Persons employed in the following positions:
  - Director Corporate Services
  - Director Infrastructure Services
  - Director Sustainable Development
  - Director Community and Lifestyle

**Material (materiality)** means the assessment of whether a 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 member of the community would undertake in the ordinary course of business with the Shire of Harvey.

**Related Party** means a person or entity that is related to the entity preparing its financial statements.

**Related Party Transaction** means a transfer of resources, services or obligations between the Shire of Harvey and a related party, regardless of whether a price is charged.

**Significant (significance)** means something likely to influence the decisions that users of the Shire'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.

## 6. Legislation

- *Local Government Act 1995* – S 5.74, 5.75, 5.76 and 6.4
- Local Government (Financial Management) Regulations 1996 – r51
- *Privacy and Responsible Information Sharing Act 2024*
- *State Records Act 2000*

## 7. Related Documents

- Australian Accounting Standards AASB 10, AASB 11, AASB 124, AASB 128
- Shire of Harvey Code of Conduct

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| Responsible officer | Director Corporate Services | | |
| Responsible team | Finance | | |
| Responsible area | Corporate Services | | |
| Version control | Date | Resolution | Number |
| Version 1 | 18.07.2017 | Resolution | 17/198 |
| Version 2 | 22.01.2019 | Resolution | 19/020 |
| Version 3 | 23.05.2023 | Resolution | 23/068 |
| Version 4 | 28.07.2026 | Resolution | 26/156 |