

Introduction

The Local Government Act 1995 and Local Government (Financial Management) Regulations 1996, require all local governments in Western Australia to produce annual financial statements compliant with Australian Accounting Standards Board (AASB).

Compliance with AASB 124 (Related Party Disclosures) enhances the transparency and accountability of Shire transactions. It is not designed to detect and report fraud or misconduct.

Under AASB 124 the Shire's key management personnel must complete an annual Related Party Disclosure.

Purpose

To ensure that the Shire's key management personnel have a clear understanding of related party disclosure objectives and requirements.

Policy statement

Related party relationships are a normal feature of commerce and business.

A related party is a person, or entity, that is related to the entity preparing its financial statements.

1. Key Management Personnel (KMP)

Persons having the authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly. This includes all Elected Members, the Chief Executive Officer, and Management Team.

All (KMP) are responsible for assessing and disclosing their own, their close family members' (children, spouse or domestic partner) and their related entities' (entity related to a KMP) relationship with the Shire. All related parties must be included in the self-assessment.

2. Related Party Transactions

2.1 Ordinary Citizen Transaction

An Ordinary Citizen Transaction is one which occurs between the Shire and KMP and/or related parties which satisfy the following criteria. The transaction must:

- Occur during the normal course of the Shire 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 the Shire. For example, facility hire, or the payment of rates and/or dog registrations.

There is no obligation to disclose Ordinary Citizen transactions unless the terms of the transactions differ from the normal practice. If a transaction outside normal practice conditions has occurred, it must be disclosed.

2.2 Non-ordinary Citizen Transactions

All related party transactions that do not satisfy the definition of an Ordinary Citizen Transaction (as per 2.1) 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 of 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 the Council or by the Council on behalf of the related party.

3. Disclosure of Information

3.1 Shire disclosure

AASB 124 requires the Shire to 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:
 - (i) their terms and conditions, whether they are secured, and the nature of the consideration to be provided in settlement
 - (ii) 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.

All transactions involving related parties will be captured and reviewed to determine significance, materiality, or if they are simply Ordinary Citizen Transactions.

Transactions that may not seem individually significant may need inclusion when viewed collectively.

3.2 KMP disclosure

KMP must complete and return a Related Party Disclosure, annually no later than **31 July**.

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

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

4. Review

All Related Party Declarations submitted by KMP's will be reviewed upon receipt.

The primary identification method of close family members and associated entities of KMP 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 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 related party transaction has or may occur, they must notify the Chief Executive Officer who will, in consultation with the Director Community & Corporate, make a determination on the matter.

5. Privacy & Confidentiality

5.1 Access to information

Access, use and disclose of the information provided in a related party disclosure or contained in a register of related party transactions for the purposes of 5.2 is limited to:

- The Chief Executive Officer
- Director Community & Corporate
- Manager Finance
- An Auditor of the Shire including from the WA Auditor General’s Office, or
- Other Officers as determined by the Chief Executive Officer.

5.2 Permitted purposes

Persons specified in 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, or
- verify compliance with the disclosure requirements of AASB 124.

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.

Application

This policy applies to Key Management Personnel and Related Parties of the Shire of Capel.

Department:	Corporate Services	Next review:	September 2028
Reviewer:	Director Community & Corporate	Legislation:	Local Government Act 1995, s2.7(2)(b) Australian Accounting Standards AASB 124 Related Party Disclosures AASB 10 Consolidated Financial Statement AASB 11 Joint Arrangements AASB 128 Investments in Associates and Joint Ventures Shire of Capel Code of Conduct
Adopted:	Minute OC0613, 28.06.17	Delegation:	
Amended:	Minute OC189/2021 Minute OC/2024/23, 31.01.24	Risk:	
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