

## 1.13 Related Party Disclosures

### Objective

To ensure that the Shire of East Pilbara's Annual 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 or by transactions, in line with the requirements of Australian Accounting Standard AASB 124 – Related Party Disclosures.

### Identification of related parties

AASB 124 provides that the Shire of East Pilbara is required to disclose in its Annual Financial Statements, related party relationships, transactions and outstanding balances.

Related parties include 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 East Pilbara has identified the following persons as meeting the definition of Related Party:

- A Councillor;
- Key management personnel being a person employed under section 5.36 of the *Local Government Act 1995* ("the Act") in the capacity of Chief Executive Officer, or a designated senior employee appointed under section 5.37 of the Act;
- 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;
- Entities that are controlled or jointly controlled by a Councillor, KMP or their close family members. Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

The Shire of East Pilbara must 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 East Pilbara (reporting entity) and the related party, regardless of whether a price is charged.

The following transactions or provision of services are identified as being related party transactions, which must be disclosed by Related Parties (including Councillors and KMP):

- Employee compensation whether it is for KMP or close family members of KMP;
- Lease agreements for housing rental;
- Monetary and non-monetary transactions between the Shire of East Pilbara and any business or associated entity owned or controlled by the related party (including family) in exchange for goods

and/or services provided to/by the Shire of East Pilbara;

- Sale or purchase of any motor vehicles, buildings or land owned by the Shire of East Pilbara, to a person identified above;
- Sale or purchase of any motor vehicles, buildings or land owned by a person identified above, to the Shire of East Pilbara;
- Loan arrangements;
- Contracts and agreements for construction, consultancy or services.

## **Ordinary citizen transactions (OCTs)**

Many transactions conducted with the Shire of East Pilbara 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 East Pilbara 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.

The following OCTs are provided on terms and conditions no different to those applying to the general public, and are unlikely to influence decisions affecting the Council's financial statements. As such, no disclosure is required in the Related Party Disclosures Declaration Form.

- Paying rates;
- Fines;
- Use of Shire of East Pilbara owned facilities such as recreation centres, aquatic centres, libraries, parks, ovals and other public open spaces;
- Attending Council functions that are open to the public;
- Application fees paid to the Shire of East Pilbara for licences, approvals or permits.

Where the services were not provided at arm's length and under the same terms and conditions applying to the general public, Councillors and KMP will be required to make a disclosure of that transaction.

## **Disclosure requirements**

For the purposes of determining relevant transactions, Councillors and key management personnel as identified above, will be required to complete a Related Party Disclosures Declaration Form.

## **Frequency of disclosures**

Elected Members and KMP will be required to complete a Related Party Disclosures Declaration Form annually for the preceding financial year, or when they leave the organisation, whichever comes earlier. Annual Related Party Disclosures must be lodged by 31 August each year for the preceding financial year.

## **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 judgment in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and the materiality. Individuals may be specifically identified, if the disclosure requirements of AASB 124 requires.

## Materiality

Management will apply professional judgment 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.

## Authorisation Details

<b>References</b>	AASB 124 – Related Party Disclosures		
<b>Authorised by:</b>	Council		
<b>Date:</b>	27 March 2020	<b>Item No.</b>	10.1.7
<b>Review/Amendment Date</b>	27 August 2021	<b>Item No</b>	9.2.2
<b>Review/Amendment Date</b>	24 June 2022	<b>Item No</b>	12.2.5
<b>Next Review</b>	Annually		
<b>Responsible Directorate</b>	Corporate Services		
<b>Responsible Officer</b>	Manager Governance, Risk and Procurement		
<b>File No.</b>			