

RELATED PARTY DISCLOSURES

POLICY

POL-FCM 07

Objective:

To provide guidance in the preparation of financial statements to ensure disclosure requirements are met for Australian Accounting Standard *AASB: 124 Related Party Disclosures*.

Statement:

1. Background

The objective of AASB 124 is to ensure that an entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties.

2. Related Party Disclosures and the City

The City must undertake the following:

- Identification of Related Party relationships;
- Identification of transactions and outstanding balances/commitments with Related Parties;
- Assessment of materiality of the transactions and outstanding balances/commitments; and
- Determine the level of disclosure required.

3. Identification of Related Parties

Related parties

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

Related parties to the City include:

- Entities where the entity is set up, controlled or is significantly influenced by the City;
- Key Management Personnel (KMP) of the City;
- Close family members of KMP; and
- Entities that are controlled or jointly controlled by KMP or their close family members.

Entities

When determining whether an entity is a related party, consideration needs to be given to the position of the KMP, close family members or the City in respect of control and influence. The following definitions apply:

- Joint Control – 'is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control'.
- Significant influence – 'is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies'.

Key Management Personnel

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

The following persons are defined as being KMP:

- Mayor/Councillors
- Chief Executive Officer
- Directors and Executive Managers
- Manager Financial Services

Close Family Members

Close family members of a KMP are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity 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.

Entities and KMP

Entities (including companies, trusts, joint ventures, partnerships and not-for-profit associations) controlled or jointly controlled by KMP or their close family members are also considered related parties.

4. Related Party Transactions

Related party transactions

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

The following are examples of related party transactions:

- Employee compensation whether it is for KMP or close family members of KMP;
- Lease agreements for housing rental for property owned or sub-leased by the City;
- Lease agreements for commercial properties;
- Monetary and non-monetary transactions between the City and any business or associated entity owned or controlled by the related party in exchange for goods/services provided to/by the City (trading arrangement);
- Sale or purchase of any property owned by the City, to a related party;
- Sale or purchase of any property owned by a related party, to the City;
- Contracts and agreements for construction, consultancy or services.

Ordinary Citizen Transactions

The City acknowledges that there are related party transactions that also satisfy the definition of an Ordinary Citizen Transaction (OCT). An OCT is a transaction that occurs on terms and conditions no different to those applying to the general public, and has been provided in the course of delivering the City's services. The City will not disclose such related party transactions in the financial statements.

The following transactions with related parties are OCT's and do not need to be disclosed:

- Payment of rates, Emergency Services Levy, refuse collection fees, and any other charges which may be levied on all or part of the community.
- Fines and infringements.
- Use of City owned facilities (e.g. recreation facilities, libraries, waste transfer station, parks and open spaces).
- Attending Council functions that are open to the public.
- Application fees paid to the City for licences, approvals or permits.

Declarations

KMP will be required to complete a 'Related Party Disclosure Declaration' form in June of each year and submit it to the Manager Financial Services. This is subject to the following:

- Elected Members whose term of office is expiring must make a declaration immediately prior to the election.
- KMP who are leaving the organisation must make a declaration prior to the cessation of employment.

5. Materiality

Officers will apply professional judgement to assess the materiality of transactions disclosed by related parties and their subsequent inclusion/exclusion in the financial statements. In assessing materiality consideration will be given the size and nature of the transaction or a combination of both.

Transactions which are subjected to materiality decisions will be discussed with the Audit and Risk Committee.

Responsible Directorate:	Chief Executive's Office
Reviewer:	Director Corporate Services
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Amendments:	Minute G.12/7/19, 23 July 2019
Related Documentation:	AASB 124 – Related Party Disclosures Departmental Circular 12-2017