

## Related Party Disclosures Policy

### Policy statement

This policy has been adopted to comply with Australian Accounting Standard AASB 124 *Related Party Disclosures*.

### Policy scope

The objective of the policy is to ensure that the existence of certain related party relationships, related party transactions and information about the transactions, necessary for users to understand the potential effects on the Financial Statements are properly identified, recorded and disclosed in Council's Annual Financial Statements in compliance with AASB 124.

Council in complying with disclosure requirements in AASB 124, will;

1. Identify related party relationships, related party transactions and ordinary citizen transactions;
2. Identify information about the related party transactions for disclosure;
3. Establish systems to capture and record the related party transactions and information about those transactions;
4. Identify the circumstances in which disclosure of the items in subparagraphs (1) and (2) are required; and
5. Determine the disclosures to be made about those items in the Annual Financial Statements for the purpose of complying with AASB 124.

### Procedures

#### 1. Disclosures

To comply with AASB 124, from reporting period ending 30 June 2017, Council will make the following disclosures in the Annual Financial Statements:

- 1.1 Key Management Personnel (KMP) Compensation in aggregate and for each of the following categories:
  - a) Short-term employee benefits
  - b) Post-employment benefits
  - c) Other long-term benefits
  - d) Termination benefits
- 1.2 Relationships between council and its subsidiaries, irrespective of whether there have been transactions between them.

1.3 Amounts incurred by council for the provision of KMP services that are provided by a separate management entity.

1.4 Where related party transactions have occurred (this is for all categories of related parties including related entities, KMPs, KMPs' close family member/controlled entities and any other related parties council has identified):

- a) The nature of the related party relationship;
- b) Information about the transactions, outstanding balances and commitments including terms and conditions;\*

1.5 Separate disclosure for each category of related party.

\*In respect to the 1.4(b), the types of transactions disclosed can include:

- Purchase/sales and lease of goods, property and other assets
- Supplying or receiving of goods, services, property and other assets.
- Guarantees given or received
- Commitments
- Loans and settlements of liabilities
- Expense recognised during the period in respect of bad debts
- Provisions for doubtful debts relating to outstanding balances.

## **2. Identifying Related Party Relationships with KMP and their close family members**

### 2.1 Related Party Disclosures Form

KMP must provide a related party disclosure in the form set out in Attachment A, notifying any existing or potential related party transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, subject to Section 2.2, to the Manager Finance by no later than the following periods during a financial year:

- a) 30 days after the commencement of the application of this Policy;
- b) 30 days after a KMP commences their term or employment with Council;
- c) 30 June each year.

If a KMP suspects that a transaction may constitute a related party transaction, the KMP should include the related party disclosure to the Manager Finance for consideration and determination.

## 2.2 Exclusions

The notification requirements in Section 2.1 do not apply to:

- a) Related party transactions that are ordinary citizen transactions (not assessed as being material) as determined under Section 3 and
- b) Elected Members expenses incurred during the financial year under Council's Elected Member allowances and entitlements, the particulars of which are contained in Council's Annual Financial Statements.

## 3. Ordinary Citizen Transactions

Council have determined that the following transactions with related parties do not need to be captured or reported as these transactions are considered to be not material in nature:

- Paying rates and council fees and charges
- Fines on normal terms and conditions
- Use of Council owned facilities such as Fremantle Leisure Centre, Fremantle Art Centre, Parking, Samson Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces **after paying the normal fee**
- Attending council functions that are open to the public

The Finance Manager is responsible for reviewing and assessing the materiality of 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.

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

## Definitions and abbreviations

For the purposes of determining the application of the standard, the Council has identified the following persons or entities as meeting the definition of Related Party:

### 1. Key Management Personnel

- Elected Members
- Chief Executive Officer
- Directors

## **2. Close family members**

In relation to a KMP, family members who may be expected to influence, or be influenced by that KMP in their dealings with Council will include:

- a child, spouse or domestic partner;
- children of your spouse or domestic partner;
- dependents of you or your spouse or domestic partner;
- any other close family member;

For the purpose of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) if they could be expected to influence, or be influenced by, the KMP in their dealings with Council.

## **3. Control in entities**

Entities include companies, trusts, incorporated and unincorporated associations such as clubs and charities, joint ventures and partnerships.

Control an entity is present when there is:

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

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.

## **4. Entities related to Council**

A council related entity is an entity controlled or jointly controlled by council or over which council has significant influence, such as regional council and regional subsidiaries.

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**Reviewing officer:** Finance Manager

**Policy adopted:** 27 September 2017

**Policy amended:** 27 September 2017

**Legislation:**

- AASB 124 Related Party Disclosures
- Local Government Act 1995
- Local Government (Financial Management) Regulations 1996

**Delegations:** NA

**Related documents:** Attachment A - Related Party Disclosures - Declaration form

**Next review date:** 27 September 2019