



Department of
Local Government, Sport
and Cultural Industries

Related Party Disclosures

Guideline for compliance with Australian Accounting Standard AASB 124 by Local Governments

November 2023



Contents

Introduction	4
Purpose	4
Objective of AASB 124	5
Definition of a related party	5
Related entities	5
Key Management Personnel (KMP)	6
Close family members of KMP	6
Related party declarations by KMP	6
Further information	6
Related party transactions	7
Disclosure of related party transactions - materiality	7
Disclosure requirements	8
Disclosure in aggregate or separate	9
Sample disclosure note	9
Ordinary or minor transactions	10
Partial exemption for government-related entities	10
Related party disclosure policy	11
Recommended steps to comply with AASB 124	11
Step 1: Establish a process	11
Step 2: Identify ordinary or minor transactions	12
Step 3: Identify related party transactions	12
Step 4: Assess materiality	12
Step 5: Make disclosures	12
References and useful links	13
For more information:	13
Appendix 1: Examples of related parties	14
Appendix 2: Checklist for related party disclosure policy	16
Appendix 4: Frequently asked questions	19

Related Party Disclosures: Guideline for compliance with Australian Accounting Standard
AASB 124 by Local Governments

November 2023

Prepared by:

Department of Local Government Sport and Cultural Industries

140 William Street, Perth WA 6000

PO Box 8349, PERTH BUSINESS CENTRE WA 6849

Tel: 61 8 6552 7300 Freecall: 1800 634 541 (Country Only)

Email: LG.accounting@dlgsc.wa.gov.au

Web: www.dlgsc.wa.gov.au

Translating and Interpreting Service (TIS) - Telephone: 131 450

All or part of this document may be copied. Due recognition of source would be appreciated. If you would like more information, please contact the Department of Local Government Sport and Cultural Industries.

Introduction

Local governments make a significant contribution to Western Australia's way of life and are a major provider of public services and infrastructure that support economic and community development across the State.

Individuals who are elected members of local councils and employees of local governments are entrusted by their community to demonstrate a high standard of professional and ethical conduct, make sound decisions, and utilise public funds effectively to deliver services and amenities for their community.

The *Local Government Act 1995* (the Act) provides the legislative framework for local governments in WA.

In accordance with Schedule 1 of the Act, the Local Government (Model Code of Conduct) Regulations 2021 provide that council members:

- act with reasonable care and diligence
- act with honesty and integrity
- act lawfully
- identify and appropriately manage any conflict of interest, and
- avoid damage to the reputation of the local government.

The Local Government (Administration) Regulations 1996 provide that each local government must develop and implement a Code of Conduct for employees which deals with the disclosure of interests and the management of conflicts of interest.

The Local Government (Financial Management) Regulations 1996 provide that local governments must comply with the Australian Accounting Standards Board (AASB) standards.

In order to comply with AASB 124 Related Party Disclosures (AASB 124), local governments must disclose certain related party relationships and related party transactions, as well as relevant information associated with those transactions, in the annual financial report.

This requirement applies to the Mayor or President and elected members of the council, as well as the Chief Executive Officer (CEO) and senior personnel of the local government administration.

Purpose

This guideline is provided to assist local governments to fulfil their obligations under AASB 124 to disclose certain related party relationships and related party transactions, as well as relevant information associated with those transactions, in their annual financial report.

This requirement is separate from the Disclosure of Interest and Gift and Travel Disclosure requirements that are prescribed under the Act and associated regulations.

Objective of AASB 124

The objective of AASB 124 is to ensure that a local government's financial statements contain the disclosures necessary to help ascertain whether its financial position and financial performance may have been affected by the existence of related parties and by transactions and outstanding balances, including commitments, with such parties¹.

Its aim is to enhance transparency and accountability of local government transactions. AASB 124 is not designed to detect and report fraud or misconduct.²

Definition of a related party

A related party is defined as a person or entity that is related to the local government that is preparing its financial statements.³

It is important that each local government consider how the contents in AASB 124 applies to its own situation. In considering possible related party relationships, attention should be directed to the substance of the relationship and not merely the legal form⁴. Some of the related parties that a local government may have include:

- Related entities related to the local government (i.e. an entity set up, controlled, or significantly influenced by the local government, such as a regional local government and regional subsidiaries).
- Key Management Personnel (KMP) of the local government (e.g. the Mayor or President, elected members of council, Chief Executive Officer (CEO) and senior personnel such as managers or directors).
- Close family members of KMP.
- Entities that are controlled or jointly controlled by KMP or their close family members (e.g. joint arrangements, joint ventures, companies, sporting clubs).

Related entities

When identifying related entities for the purposes of compliance with AASB 124, the local government should also consider the provisions of:

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 128 Investments in Associates and Joint Ventures.

¹ AASB 124, paragraph 1

² AASB Agenda Decision, "Materiality of Key Management Personnel Related Party Transactions of Not-For-Profit Public Sector entities", April 2017

³ AASB 124, paragraph 9

⁴ AASB 124, paragraph 10

AASB 128 provides definitions of the following key terms:

- Significant influence – the power to participate in the financial and operating policy decisions of the entity but is not control or joint control over those policies.
- Joint control – the contractually agreed sharing of control of an arrangement that exists only when a decision relating to the activity requires the unanimous consent of the parties sharing control.

It is likely that all regional local governments and regional subsidiaries will meet the definition of a related entity. For other entities, local governments should apply the definitions test in accordance with AASB 124 and AASB 128.

Key Management Personnel (KMP)

AASB 124 defines KMP as persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

KMP, close family members of KMP and entities that are related to KMP or their close family members are related parties of the local government.

Each local government will need to use judgement to determine which individual meets the definition of a KMP. This will depend on the local government's organisational structure and delegation arrangements and the functions of the role held by the individual.

Close family members of KMP

Close family members of KMP are those family members who may be expected to influence, or be influenced by, the KMP in their dealing with the local government. This may include spouses, parents, stepparents, siblings, grandparents, aunts, uncles, cousins and children.

In accordance with AASB 124, entities controlled or jointly controlled by KMP, or their close family members, are related parties of the local government.

Related party declarations by KMP

KMP should disclose related party information through a declaration in writing for financial reporting purposes.

A sample declaration is included at Appendix 3 to assist with this process.

Further information

Refer to Appendix 1 for some useful examples that illustrate the different types of related parties in the local government sector.

Local governments should discuss any contentious issues and uncertainties regarding related parties with the Office of the Auditor General (OAG) as early as possible.

Related party transactions

AASB 124 defines a related party transaction as the transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged⁵.

Disclosure of related party transactions – materiality

A local government entity is obligated to disclose related party transactions that are deemed material as per AASB 124. However, transactions that do not meet the criteria of materiality as per the standard are not required to be disclosed.

The AASB 124 Australian Implementation Guidance for not-for-profit public sector entities, which includes local governments, provides the following comment regarding material transactions:

As is often the case with related party transactions, judgement would be required as to when transactions are material, especially when qualitative assessments are made about the nature of the transaction.... the entity would also need to apply judgement in determining the extent of information it needs to collect to meet the objective of AASB 124, as there is little value in an entity incurring significant costs to obtain data that is immaterial for disclosure.⁶

Guidance on exercising judgement in determining the materiality of related party transactions and the extent of information collection may include:

1. **Materiality Assessment:** Materiality is a matter of professional judgement that considers both quantitative and qualitative factors. In assessing the materiality of related party transactions, consider the financial, operational and reputational impact they may have on the local government. Transactions that have the potential to influence the decisions of users of the financial statements should be considered material.
2. **Nature of the Transaction:** When determining materiality, consider the qualitative aspects of the related party transaction. Assess the nature of the transaction, including its purpose, significance and potential impact on the local government's operations. Transactions involving KMP, and their close family members may be more likely to be considered material.
3. **Cost Benefit Analysis:** Apply a cost-benefit analysis approach to determine the extent of information collection needed for disclosure. Consider the practicality and significance of obtaining and disclosing certain related party transaction details. If the costs of obtaining the data outweigh the potential benefits to users of the financial statements, the local

⁵ AASB 124, paragraph 9

⁶ AASB 124, paragraph BC17

government may decide not to allocate resources or disclose information that is deemed immaterial in accordance with AASB 124.

4. Transparency and Disclosure Objective: Keep in mind the overarching objective of AASB 124, which is to provide transparency and ensure users of financial statements have access to relevant and meaningful information. Strive to strike a balance between providing sufficient information for users to make informed decisions while avoiding unnecessary disclosure of immaterial transactions.
5. Documentation: It is essential to document the rationale and judgements made regarding materiality assessments and the extent of information collection. This documentation will serve as a reference and support the decision-making process during internal and external audits or reviews.

Note: the guidance provided is general and should be tailored to the specific circumstances of each local government.

The AASB Agenda Decision in April 2017 provided further clarity that the key assessment is:

whether knowledge of the relationship and terms and conditions could influence a user's understanding of the impact on the financial statements⁷. Where the impact on the financial statements is not material the transaction is not required to be disclosed.

Local governments should consider the quantitative or qualitative factors that may influence the decision-making and perceptions of an individual reading the financial statements. For example, if certain information about a transaction was not disclosed, the council and/or local government administration could suffer a reputational loss.

When assessing whether a transaction is material, and therefore must be disclosed, the council and the CEO should act in consultation with the local government's audit committee to consider the size and nature of the transaction, both individually and collectively with other transactions. Local governments are encouraged to consult with the OAG on these matters, where appropriate.

Disclosure requirements

AASB 124 contains disclosure requirements to enable users of financial statements to understand the potential effect of the relationship on the financial statements. These include:

1. Compensation for KMP in aggregate and for each of the following categories⁸:
 - a) short-term employee benefits
 - b) post-employment benefits
 - c) other long-term benefits
 - d) termination benefits.

⁷ AASB Agenda Decision, April 2017,

⁸ AASB 124, paragraphs 17 and 17A. Also refer to para 8 definitions in AASB 119 Employee Benefits. Note that 17A specific that if a KMP service is obtained from another entity such as an employment agency, then that should be excluded from KMP compensation disclosure and reported separately.

2. Relationships between the local government and its subsidiaries, irrespective of whether there have been transactions between them⁹.
3. Amounts incurred by the local government for the provision of KMP services that are provided by a separate management entity¹⁰.
4. Where a related party transaction has occurred. This includes all categories of related parties that the local government has identified:
 - a) The nature of the related party relationship.
 - b) Information about the transactions, outstanding balances and commitments including terms and conditions.

The types of transactions to be disclosed can include:

- purchase/sales and lease of goods, property and other assets
- rendering or receiving of services
- 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.

Comparatives should be disclosed.

5. Separate disclosure for each category of related party.

Disclosure in aggregate or separate

For each related party category, the local government can disclose items of a similar nature in aggregate, except when separate disclosure is necessary for an understanding of the effect of related party transactions on financial statements¹¹.

Sample disclosure note

A sample disclosure note of Related Party Transactions will be included in the Model Financial Statements templates to be released in 2023.

⁹ AASB 124, paragraphs 13, Aus13.1, 14, 15, and 16.

¹⁰ AASB 124, paragraph 18A.

¹¹ AASB 124, paragraph 24.

Ordinary or minor transactions

The local government may determine that there are some transactions with related parties that do not need to be captured and reported. These transactions are those that a member of the general public would undertake, such as transactions undertaken on arm's length terms and in the ordinary course of carrying out local government functions and activities.

For instance, if a KMP of a Shire uses the Shire's recreational facilities and pays the standard admission fee, it would qualify as a related party transaction. However, considering the principles of materiality outlined in AASB 124, it is unlikely that it would be considered material, and therefore require disclosure, because the transaction is unlikely to affect the financial position and financial performance of the Shire.

Some other examples of ordinary or minor transactions include:

- Fines charged and paid in accordance with normal terms and conditions
- Paying rates, fees and charges

Such transactions are not material because of their nature, and therefore the local government may wish to either:

- a. identify them upfront in a related party disclosure policy and exclude them from being recorded as a related party transaction, or
- b. collect the information and then make a decision when preparing the annual financial statements as to whether those ordinary or minor transactions are reported.

However, if the transactions were to occur on terms and conditions that are different to those offered to the general public, then the transaction may become material. Local governments should take careful consideration in identifying and differentiating which types of transactions should be captured and reported.

Partial exemption for government-related entities

The optional partial exemption for government-related entities, as outlined in paragraph 25 of AASB 124, provides specific guidance regarding the disclosure requirements for transactions between local governments and others. Under this exemption, local governments are still obligated to disclose all individually significant transactions in their financial statements. However, for transactions that are collective, but not individually significant, the disclosure requirements differ.

In such cases, instead of providing detailed information about each transaction, local governments are required to disclose either qualitative or quantitative indications of the extent of these transactions. The purpose of this exemption is to streamline the disclosure process for government-related entities by allowing them to provide a more general overview of these collectively significant transactions, rather than requiring detailed disclosure for each individual transaction.

This optional partial exemption for government-related entities deviates from the normal disclosure requirements in paragraph 18 of AASB 124. By applying this exemption, local governments can

provide a more concise and streamlined presentation of information in their financial statements, ensuring that the disclosure requirements are tailored to the specific characteristics and needs of government-related entities.

However, a local government claiming the exemption under paragraph 25 is required to disclose the information required in paragraph 26 of AASB 124. Paragraph 27 of AASB 124 provides further material to assist with judgement on the level of detail to be disclosed.

Related party disclosure policy

It is recommended that each local government adopts a policy on related party disclosures.

The policy could consider all of the steps identified below or could concentrate on one or two key areas.

The policy could address how, and how often, the close family members and related entities of KMP are identified and/or whether ordinary and minor transactions with related parties will be separately identified or collated.

It could also define key terms such as arm's length, normal terms and conditions, ordinary or minor transactions, and/or other types of transactions that will or will not be collected, such as trivial or domestic transactions that are not material, and therefore unlikely to be reported.

A checklist for a related party disclosure policy is provided at Appendix 2 to assist with this process.

Recommended steps to comply with AASB 124

The following steps are recommended to implement related party requirements:

1. Establish a process to identify and record related parties.
2. Identify ordinary or minor transactions that will not be collected and disclosed.
3. Establish a procedure to identify and record related party transactions and related terms and conditions.
4. Assess materiality of transactions captured.
5. Make disclosures in the local government's financial statements.

Step 1: Establish a process

The local government should establish a process to identify related parties and relationships and monitor changes on a continuous basis, for example, through a register of related party transactions.

The process should identify:

- entities related to the local government
- KMPs
- close family members of KMPs and their related entities.

The process used to identify related parties must be documented and provided to external auditors to substantiate disclosure in the financial statements.

A review of related parties should be undertaken at regular intervals, particularly after local elections where there are changes to the elected members, and when there is CEO and senior management staffing changes, including acting arrangements.

KMPs are recommended to provide a written declaration notifying the local government of any existing or potential related party transactions between the local government and themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members. A sample declaration is provided at Appendix 3 to assist this process.

Step 2: Identify ordinary or minor transactions

The local government should identify ordinary or minor transactions and determine what types of transactions can be excluded from being recorded.

Please refer to information on ordinary or minor transactions in this Guideline.

Step 3: Identify related party transactions

The local government should establish or update procedures so that related party transactions can be separately identified and reported. This may be as simple as identifying related party transactions with a special code in the local government's accounting system. The local government should also establish or update a procedure to:

- Identify transactions that do not pass through the accounting system.
- Identify the associated terms and conditions of the related party transactions.

Step 4: Assess materiality

The local government should assess related party transactions for materiality, prior to preparing the disclosure in the financial statements. Transactions that are not considered material do not need to be disclosed.

Assessing materiality requires judgement and should be done in consultation with the audit committee, and with the OAG where appropriate.

When assessing materiality, local governments need to consider both the size and nature of the transaction, individually and collectively.

Please refer to information on disclosure of related party transactions in this Guideline.

Step 5: Make disclosures

The final step is to make the necessary disclosures in the local government's annual financial statements. Please refer to information on [disclosure of related party transactions](#) in this Guideline.

References and useful links

[Local Government Act 1995](#)

[Local Government \(Model Code of Conduct\) Regulations 2021](#)

[Local Government \(Financial Management\) Regulations 1996](#)

[AASB 124 Related Party Disclosures.](#)

[AASB 10 Consolidated Financial Statements](#)

[AASB 11 Joint Arrangements](#)

[AASB 128 Investments in Associates and Joint Ventures.](#)

[CPA AASB 124 Related Party Disclosures Public Sector Not-For-Profit Entities](#)

For more information:

Financial Accounting and Policy Support team
Department of Local Government, Sport and Cultural Industries
Gordon Stephenson House, 140 William Street, Perth WA 6000
PO Box 8349, Perth Business Centre WA 6849
Telephone: 61 8 6552 7300
Freecall: 1800 634 541 (Country only)

Email: LG.accounting@dlgsc.wa.gov.au

Website: www.dlgsc.wa.gov.au

Translating and Interpreting Service (TIS) – Telephone: 131 450

Appendix 1: Examples of related parties

Example 1 – Joint Arrangement that is a related party of the local government

A regional city is involved in associated arrangements with East City Regional Council. The city along with six other local governments, is a member of the East City Regional Council and jointly control the East City Regional Council.

The city must disclose in its financial statements all individually significant transactions between the city and East City Regional Council. For other transactions that are collectively, but not individually significant, the city must disclose the qualitative or quantitative indication of their extent (AASB124.26(6)(ii)). The city must also disclose in its financial statements the nature of its relationship with the East City Regional Council.

Example 2 – Audit committee member

A town in the Perth metropolitan area's audit committee is comprised of two elected members and an independent member. The independent member has no other connection with the town.

The audit committee does not make any decisions on behalf of the council but provides reports with recommendations for the mayor and elected members of council to consider.

The independent member would not be considered a KMP of the town.

Example 3 – Son of CEO employed by the local government

A shire in the Wheatbelt region has recently employed the son of the CEO in the shire's planning team. The CEO was not involved in the recruitment process, which was independently managed by the human resource team and the Director of Planning. The CEO did not have any influence in the appointment decision.

The CEO is considered a KMP of the shire, and therefore a related party. The son is also a related party because he is a close family member of the CEO. The independent recruitment process that was undertaken for the position in the planning team is irrelevant when assessing whether the son is a related party of the shire.

The shire must disclose in its financial statements the related party transactions between the shire and the CEO's son, for example, the costs of his salary, annual leave and long service leave.

Example 4 – Niece of mayor

The mayor of a city in the Pilbara region and her family have been living in the local government area for many years. The mayor's niece owns and operates the local bookshop through a company Good Reads Pty Ltd, in which she owns 100% of the shares. The mayor and her niece have always been close and regularly socialise together.

The mayor is considered a KMP of the city, and therefore a related party. As her niece is a close family member of the mayor, she could be expected to influence, or be influenced by, the mayor in her dealings with local government.

The mayor's niece and the company that she controls would both be considered related parties of the city.

The city must identify any transactions that the local government makes with the bookshop and is required to disclose any material transactions within in its financial statements. If assessed as not material, no disclosure is required.

Example 5 – Mayor is the president of a local tennis club

The mayor of a city is also president of the local tennis club. This club is overseen by a committee comprised of the president and three other committee members. Each committee member has a single vote when making decisions at meetings. The committee members are not related and do not have agreements to vote with one another. The club has over 200 members that each have a vote in electing the committee members at the club's annual general meeting.

It appears that the mayor does not control or jointly control the tennis club. The tennis club would not be considered a related party of the city, even though the mayor is president of the club.

Example 6 – President is a major shareholder and director of a company that provides services to the local government

The president of a shire in the South West region is a shareholder and director of a company, Grow West Pty Ltd. The shire president owns 80% of the shares of the company, which provides building and construction services to the shire.

The president is assessed as having control over the company. Therefore, the company is considered a related party of the Shire.

In the financial statements, the normal disclosure requirements of paragraph 18 of AASB 124 apply.

Other examples

Please refer to AASB 124 Australian Implementation Guidance for not-for-profit public sector entities, for further examples. Examples 4 and 7 are relevant to local government.

Appendix 2: Checklist for related party disclosure policy

The following checklist is provided to assist local governments when developing a related party disclosure policy.

Identifying related parties	Check box for “yes”:
<p>1. Will the policy need to state how local government staff will identify and capture changes in:</p> <p>(a) Entities that are related to local government?</p> <p>(b) Key management personnel (KMP)?</p> <p>(c) Close family members of KMP?</p> <p>(d) Entities that are controlled or jointly controlled by KMP or their close family members?</p> <p>Note: Consider how changes in KMP, their close family members and related entities will be recorded e.g. how will KMP advise the local government about changes to close family members or entities they control?</p>	<p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p> <p><input type="checkbox"/></p>
<p>2. Will the policy consider how KMP affected by the related party disclosure requirements will be kept informed e.g. will they be given a copy of the intended disclosure for comment?</p>	<p><input type="checkbox"/></p>

Ordinary or minor transactions	Check box for “yes”:
<p>3. Will the local government policy capture ordinary or minor transactions with related parties? (If yes, see process below)</p>	<p><input type="checkbox"/></p>
<p>4. Will the local government disclose ordinary or minor transactions with related parties above a certain threshold, or where terms and conditions differ from normal practice, or not at all?</p> <p>Note: transactions that have different terms and conditions to normal practice could be material in nature and lead to an audit issue if not disclosed in the financial statements.</p>	<p><input type="checkbox"/></p>

Ordinary or minor transactions	Check box for “yes”:
5. If ordinary or minor transactions with related parties will not be collected, will the policy specify how local government staff will identify ordinary or minor transactions?	<input type="checkbox"/>
6. Will the policy include examples of ordinary or minor transactions?	<input type="checkbox"/>
7. Will the policy identify a process for regularly reviewing ordinary or minor transactions?	<input type="checkbox"/>

Capturing and recording transactions with related parties	Check box for “yes”:
8. Will the policy include how the local government will capture related party transactions and determine their arm’s length status i.e. terms and conditions?	<input type="checkbox"/>
9. Will the policy include how the local government will identify related party transactions in the accounting system and outside the accounting system e.g. non-monetary transactions, contracts, service level agreements?	<input type="checkbox"/>
10. Will the policy include the local government’s record keeping requirements?	<input type="checkbox"/>

Privacy and Freedom of Information	Check box for “yes”:
11. Will the policy cover privacy issues?	<input type="checkbox"/>
12. Will the local government obtain advice about privacy, Freedom of Information and other legal obligations that will be reflected in the policy?	<input type="checkbox"/>

Appendix 3: Sample related party declaration by KMP

Private and Confidential

Related Party Declaration by Key Management Personnel

Name: (insert name)

Position: (insert title)

(List details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by the close family members of KMP)

Name person or entity	Relationship
XXX	XXXX

(List related party transactions between me or any of my above related parties). Related party transactions with the (specify local government)

XXX

I have made inquiries of my close family members and to the best of my knowledge the information provided in this declaration is a complete and accurate record of the matters set out in it for the period 1 July 20xx to 30 June 20xx. I understand this information is collected for the purpose of preparing note disclosures for inclusion in the financial statements of the (*specify local government*).

I authorise the (*specify local government*) to provide personal information about me or my close family members in respect of transactions between me or my close family members, or entities controlled or jointly controlled by me or my close family members, and the (*specify local government*).

I consent to the (*specify local government*) collecting, using and disclosing my personal information for the purposes of meeting its financial reporting obligations.

Name: [insert name]

Position: [insert position]

Signature:

Date:

Appendix 4: Frequently asked questions

1: Is a senior officer who is not part of the executive team considered a KMP?

If the officer has the authority and responsibility to plan, direct and control the activities of the local government, then the officer is a KMP. This could include officers acting in a position, even if for a short period of time.

2: Is the payment of rates by a KMP a related party transaction?

It is a related party transaction; however, the payment of rates would not require disclosure if the KMP is paying the same rates as every other rate payer, this would represent an 'ordinary or minor transaction'. However, the local government would need to disclose the transaction if the KMP is not paying rates while they are a KMP of the local government.

3: If a KMP's child applied to do school-based work experience with the local government, does this need to be disclosed?

Answer: This does not need to be disclosed if the terms and conditions of the work experience are the same as what is available to any other person. However, if the local government made a decision to pay the child for the work experience when others had not been paid for the same work experience, then this may require disclosure.

4: Would a local government officer with purchasing delegation be a KMP?

No, if the officer can exercise a financial delegation to purchase goods and services on behalf of the local government it does not make them a KMP as they do not have the responsibility to plan and direct or control the activities of the local government.

5: What about transactions with previous KMPs (ex-elected members, CEO, council staff)?

From 1 July 2016, all local governments are required to capture related party transactions with KMP, this includes all elected members /staff members deemed as KMPs during the reporting period.

6: Do services have to be provided by the related party directly or is it enough that the related party is employed by the consultancy firm providing the services?

It depends on how much influence the related party has on the consultancy firm. For example, if KMP is a cleaner of a consultancy firm, there is unlikely to be any influence. If the KMP is a managing partner, director or senior employee, they would have some influence and would need to be considered.

If the consultancy firm is controlled by either KMP, then the firm will be a related party of the local government.

Question 7: Does the disclosure of KMP compensation include remuneration paid during the year or accrued during the year?

Disclosure includes the total amount of KMP compensation included as part of the Income Statement, for example, employee expenses and elected member's remuneration recognised in the annual financial statements.

Question 8: Should annual leave and long service leave balances be disclosed?

The amount charged for annual leave and long service leave as an expense under AASB 119 should be disclosed for KMPs. Leave balances do not need to be disclosed.

Question 9: Is the use of local government assets also included in related party transactions?

Yes. Just because it is not a financial transaction does not mean it does not need to be disclosed. For example, if a council member used shire equipment for personal purposes, this would be considered a transaction, even though it is not a financial transaction.

Question 10: Who is responsible for identifying and reporting related party transactions?

The finance officer responsible for financial reporting is responsible for identifying local government related parties from the local government's reporting system, for example, in the form of a related entities register.

They are also responsible for assessing which transactions require disclosure, along with the CEO and council.

The CEO is responsible for finalising annual financial reports, which include the related party transactions disclosures for consideration by the council.

The council is responsible for noting and/or approving the reports by the CEO, as appropriate.