

City of Greater Geraldton

4.21 RELATED PARTY DISCLOSURES

SUSTAINABILITY THEME

Leadership

OBJECTIVES

The purpose of this policy is to define the parameters for Related Party Transactions and the level of disclosure and reporting required for Council to achieve compliance with Australian Accounting Standard AASB 124 - Related Party Disclosures. This includes ensuring that Key Management Personnel (KMP) are aware of their responsibilities to identify and disclose related parties and transactions.

POLICY STATEMENT

Council is committed to responsible corporate governance, including compliance with laws and regulations governing related party transactions. Council will implement a system and processes to identify, monitor and disclose related party transactions.

POLICY DETAILS

Related party relationships are a normal feature of commerce and business. A related party relationship could influence the normal business operations of Council even if related party transactions do not occur. The objective of AASB 124 is to ensure that Council's financial reports contain the necessary disclosures to draw attention to the possibility that the financial position and profit or loss may have been affected by the existence of 'related parties' and by transactions, outstanding balances and commitments, with such parties.

A **related party** is a person or entity that is related to the entity that is preparing its financial statements. For the purposes of this policy, are:

- Entities related to Council;
- Key Management Personnel (KMP) of Council
- Close family members of KMP;
- Possible close family members of KMP's; and
- Entities or persons that are controlled or jointly controlled by KMP, or their close family members, or their possible close family members.

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.

Key Management Personnel (KMP) are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. This includes all Elected Members, Chief Executive Officer and Executive Management Team.

1. Annual Process

Each year the following steps will be undertaken to ensure complete information is available to meet the requirements of AASB 124 – Related Party Disclosures:

- 1.1 All KMP are responsible for identifying their close family members and entities they or close family members control for each financial years using the KMP related Party Notification

form. KMP have a responsibility to identify and report any changes to their related parties in their annual declaration.

- 1.2 All KMP are to complete a KMP Related Party Transactions Declaration form to provide details of any related party transactions in the financial year, between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members.
- 1.3 Business system analysis will be conducted to extract details of Council's transactions, details of KMP financial compensation and to verify KMP declarations;
- 1.4 The information collected will be assessed and determinations made regarding disclosure.

2. Related Party Transactions and Disclosure

Related Party Transactions are required to be disclosed, regardless of whether a price is charged. For the purposes of determining whether a related party transaction has occurred, the following transactions or provisions of services have been identified as examples:

- Purchase or sale of goods;
- Purchase or sale of property and other assets;
- Rendering or receiving goods or services;
- Development applications;
- Leases;
- Commitments to do something if a particular event occurs or does not occur in the future;
- Settlements of liabilities on behalf of Council or by Council on behalf of the related party;
- Loans and Settlements of liabilities

Related party transactions with the exception of ordinary citizen or immaterial transactions, must be disclosed in the Financial Statements in aggregate or by description and must include the following detail:

- The nature of the related party relationship;
- The amount of the transaction;
- The amount of outstanding balances, including commitments, and
 - Their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in the settlement; and
 - Details of any guarantee given or received.
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

The following matters will 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 the Financial Accountant or Chief Financial Officer; and
- Whether the transaction was subject to Council approval.

Regard will also be given for transactions that are collectively, but not individually significant.

All transactions involving Related Parties will be captured and reviewed to determine materiality or otherwise of such transactions, if the transactions are Ordinary Citizen Transactions (OCTs), and to determine the significance of each of the transactions.

Disclosures that Related Party Transactions were made on terms equivalent to those that prevail in arm's length transactions must be substantiated.

3. Ordinary Citizen Transaction (OCT)

Transactions with related parties of Council which are of a nature that any ordinary citizen would undertake will not be captured and reported. These transactions are not material transactions because of their nature. However, if the OCT occurs on terms and conditions that are different to those offered to the general public the transaction may become material and subsequently disclosed.

4. Records

Information required for disclosure purposes for each existing or potential related party transaction (including ordinary citizen transactions assessed as being material in nature) during a financial year will be captured. This will include KMP Notification and Declaration forms and any transactions extracted or collected, whether they are assessed as significant or material or not, will be retained for audit purposes.

KEY TERM DEFINITIONS

AASB 124 means the Australian Accounting Standards Board, Related Party Disclosures Standard.

Asset - A physical component of a facility which has value, enables a service to be provided and has an economic life of greater than 12 months.

Close members of the family of a person - are those family members who may be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's children and spouse or domestic partner;
- (b) children of that person's spouse or domestic partner; and
- (c) dependants of that person or that person's spouse or domestic partner.

Control – a person or entity is deemed to have control if they have power over the entity; exposure or rights to variable returns from involvement with the entity; and the ability to use power over the entity to affect the amount of returns received, as determined in accordance with AASB 10.

Joint Control is the contractual rights or 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.

Entity can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.

Incorporated association means an association incorporated under the *Associations Incorporation Act 2015 (WA)*.

KMP Compensation means all forms of consideration paid, payable, or provided in exchange for services provided, and includes:

- Short-term employee benefits, such as wages, salaries and social security contributions, paid annual leave and paid sick leave, profit sharing and bonuses (if payable within twelve months of the end of the period) and non-monetary benefits (such as medical care, housing, cars and free and subsidised goods or services) for current employees;
- Post-employment benefits such as pensions, other retirement benefits, post-employment life insurance and post-employment medical care;
- Other long-term employee benefits, including long-service leave or sabbatical leave, jubilee or other long-service benefits, long-term disability benefits and, if they are not payable wholly within twelve months after the end of the period, profit sharing, bonuses and deferred compensation;
- Termination benefits; and
- Share-based payment.

Material (materiality) means the assessment of whether the transaction, either individually or in aggregate with other transactions, by omitting it or misstating it could influence decisions that users make on the basis of an entity's financial statements. Management will apply professional judgement in consultation with Council's external auditors 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.

Ordinary Citizen Transaction means a transaction that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities. Examples of Ordinary Citizen Transactions are:

- Use of Council facilities, equipment and services in accordance with Council's fees, charges and policies;
- Payment of rates and charges;
- Attendance at Council functions and activities that are open to the public;
- Payment of fines and other penalties on normal terms and conditions; and
- Related party transactions occurring during the course of delivering Council's public service objectives and which occur on no different terms to that of the general public.

Possible (Possibly) Close members of the family of a person are those family members who could be expected to influence, or be influenced by, that person in their dealings with the Council and include:

- (a) that person's brothers' and sisters';
- (b) aunts', uncles', and cousins' of that person's spouse or domestic partner;
- (c) dependants of those persons' or that person's spouse or domestic partner as stated in (b); and
- (d) that person's or that person's spouse or domestic partners', parents' and grandparents'.

Significant (significance) means likely to influence the decisions that users of the Council's financial statements make having regard to both the extent (value and frequency) of the transactions, and that the transactions have occurred between the Council and related party outside a public service provider/ taxpayer relationship.

ROLES AND RESPONSIBILITIES

All Councillors, CEO and Directors are responsible for ensuring that this policy is understood and complied with.

Key Management Personnel are responsible for identifying their related party relationships and notifying any related party transactions.

The Chief Financial Officer is responsible for the implementation of this policy, including maintaining related party information and for preparing disclosure requirements in order to comply with AASB 124.

WORKPLACE INFORMATION

Local Government Act 1995

AASB 124 Related Party Disclosures

AASB 10 Consolidated Financial Statement

AASB 11 Joint Arrangements

AASB 128 Investments in Associates and Joint Ventures

Council Policy 4.2 Code of Conduct for Elected Members and Committee Members

POLICY ADMINISTRATION

Directorate		Officer	Review Cycle	Next Due
Corporate and Commercial Services		Chief Financial Officer	Biennial	2023
Version	Decision Reference	Synopsis		
3.	CCS XXX	Policy Review		

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