

Council Policy

Related Party Disclosures



Legislation/local law requirements	Australian Accounting Standard – AASB 124 Local Government Act 1995 Local Government (Financial Management) Regulations 1996
Relevant Delegation	N/A
Related policy procedures and documents	Related Party Disclosure Form

Introduction

The integrity and transparency of the City's financial reporting are fundamental to maintaining public trust and upholding good governance. In accordance with Australian Accounting Standard AASB 124 – Related Party Disclosures, this policy has been developed to guide the identification and disclosure of related party relationships, transactions, and outstanding balances. By establishing clear processes and requirements, the policy ensures that the City's financial statements provide all necessary disclosures, thereby enhancing accountability and enabling stakeholders to make informed assessments of the City's financial position. This introduction sets the context for the policy's purpose and provisions, reinforcing the City's commitment to transparency, accountability, and compliance with relevant legislative and regulatory standards.

Purpose

The purpose of this policy is to ensure that the City's 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 and by transactions and outstanding balances, including commitments, with such parties in line with the requirements of AASB 124 – Related Party Disclosures (AASB 124).

It is important to note that AASB 124 is not designed to detect and report fraud or misconduct. It is to enhance transparency and accountability of Council transactions.

Objective

The objective of this policy is to establish a systematic approach for identifying, recording, and disclosing related party relationships and transactions in accordance with AASB 124. This ensures that the City's financial statements reflect all relevant connections and dealings, thereby supporting integrity, transparency, and accountability in financial reporting.

Scope

To identify related parties and transactions, outstanding balances and the disclosure requirements in line with AASB 124 – Related Party Disclosures.

Policy Provisions

Definitions

Related Party means a person or entity that is related to the City

Examples of related parties are:

- a) entities set up, controlled, or significantly influenced by the City;
- b) Key Management Personnel (KMP);
- c) close family members of KMP;
- d) entities that are controlled or jointly controlled by KMP or their close family members

A person or a close member of that person's family is related if that person:

- a) Has significant influence over the reporting entity; or
- b) Is a member of the key management personnel of the reporting entity.

An entity is related if any of the following conditions applies:

- a) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others); or
- b) A person is a member of the key management personnel of the entity.
- c) The entity is controlled or jointly controlled by a person identified above.

Significant influence means 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 means 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.

Key Management Personnel (KMP) means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

KMP for local governments would include Elected Members and Senior Staff (CEO and Directors).

Close Member of the Family of a Person means those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- a) that person's children and spouse or domestic partner;
- b) children of that person's spouse or domestic partner;
- c) dependants of that person or that person's spouse or domestic partner; and
- d) any other close family member.

Related Party Transactions means a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged.

Policy

AASB 124 provides that the City of Kwinana will be required to disclose in its Annual Financial reports, related party relationships, transactions and outstanding balances.

Related parties includes 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.

For the purposes of determining the application of the standard, the City of Kwinana has identified the following persons as meeting the definition of Related Party:

- Elected Members
- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer or Director
- 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 an Elected Member, KMP or their close family members. Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

The City of Kwinana will therefore be required to 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 City of Kwinana (reporting entity) and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting this criteria:

- Paying rates
- Fines
- Use of City of Kwinana owned facilities such as [Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces (whether charged a fee or not)]
- Attending council functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the City of Kwinana for licences, approvals or permits
- Lease agreements for housing rental (whether for a City of Kwinana owned property or property sub-leased by the City of Kwinana through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the City of Kwinana and any business or associated entity owned or controlled by the related party (including family) in exchange for goods and/or services provided by/to the City of Kwinana (trading arrangement)
- Sale or purchase of any motor vehicles, buildings or land owned by the City of Kwinana, to a person identified above
- Sale or purchase of any motor vehicles, buildings or land owned by a person identified above, to the City of Kwinana

- Loan Arrangements
- Contracts and agreements for construction, consultancy or services

Some of the transactions listed above, 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 City of Kwinana 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.

Disclosure Requirements

For the purposes of determining relevant transactions, Elected Members and key management personnel as identified above, will be required to complete a Related Party Disclosures - Declaration form for submission to financial services.

Ordinary Citizen Transactions (OCTs)

OCT's are provided on terms and conditions no different to those applying to the general public and which have been provided in the course of delivering public service objectives, are unlikely to influence the decisions that users of the Council's financial statements make. As such no disclosure in the Related Party Disclosures - Declaration form will be required. Some examples of ordinary or minor transactions:

- Fines charged and paid in accordance with normal terms and conditions
- Use of City of Kwinana owned facilities such as Recreation Centre, Civic Centre, library, parks, ovals and other public open spaces
- Application fees paid to the City of Kwinana for licences, approvals or permits

Where these services were not provided at arm's length and under the same terms and conditions applying to the general public, Elected Members and KMP will be required to make a declaration in the Related Party Disclosures - Declaration form about the nature of any discount or special terms received.

All other transactions

For all other transactions, Elected Members and KMP will be required to make a declaration in the Related Party Disclosures - Declaration form.

Frequency of disclosures

Elected Council members and KMP will be required to complete a Related Party Disclosures - Declaration form annually.

Disclosures are required immediately prior to the end of an Elected Member term.

Disclosures must be made immediately prior to the termination of employment of a KMP.

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 judgement 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 so demands.

Materiality

Management will apply professional judgement 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.

OFFICER USE ONLY

Officers may amend this section without council approval.

Responsible Team	Finance	
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