

	<p><b>LG531</b> <b>Related Party Disclosures</b></p>
<p><b>Key Focus Area</b> Leadership and Governance</p>	<p><b>Responsible Directorate</b> Governance and People</p> <p><b>Relevant Council Delegation</b> Nil</p>

## Purpose

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 the Australian Accounting Standard AASB 124 - Related Party Disclosures.

## Policy

The objective of the policy is to ensure that an entity's financial statements contain 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 transactions.

The disclosure requirements apply to the existence of relationships regardless of whether a transaction has occurred or not. For each financial year, the Town must make an informed judgement as to who is considered to be a related party and what transactions need to be considered, when determining if disclosure is required.

The purpose of this policy is to establish procedure stipulate the information to be requested from related parties to enable an informed judgement to be made.

### 1. Identification of Related Parties:

AASB 124 provides that the Town 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. KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

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

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

## **2. Identification of Related Party Transactions:**

A related party transaction is a transfer of resources, services or obligations between the Town (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 Town owned facilities such as [Aquatic Centre, Museum, 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 Town for licences, approvals or permits
- Lease agreements for housing rental (whether for a Town owned property or property sub-leased by the Town through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Town 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 Town (trading arrangement)
- Sale or purchase of any property owned by the Town, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Town
- 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 Town 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.

## **3. Disclosure Requirements:**

For the purposes of determining relevant transactions in point 2 above, elected Council members and key management personnel as identified above, will be required to complete a Related Party Transaction- Disclosures (RPT Disclosure) Form (Attachment 1) for submission to financial services.

### Ordinary Citizen Transactions (OCTs):

OCT means a transaction that an ordinary citizen of the community would undertake in the ordinary course of business with Council.

The following OCT that 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 RPT Disclosures form will be required.

- Paying rates
- Fines
- Use of Town owned facilities such as Aquatic Centre, Museum, library, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending council functions that are open to the public.

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

All other transactions:

For all other transactions listed in point 2 above, elected Council members and KMP will be required to make a declaration in the RPT Disclosures form.

Frequency of disclosures:

Elected Council members and KMP will be required to complete a RPT Disclosure form:

- 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.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

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

**4. 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 following matters must be considered in determining the materiality and significance of any related party transactions:

- a. Significance of transaction in terms of size;
- b. Whether the transaction was carried out on non-market terms;
- c. Whether the transaction is outside normal day-to-day business operations, such as the purchase and sale of assets;
- d. Whether the transaction is disclosed to regulatory or supervisory authorities;
- e. Whether the transaction has been reported to senior management; and
- f. Whether the transaction was subject to Council approval

**5. Privacy:**

Information provided by KMP and other related parties shall be held for the purpose of compliance with Council's legal obligation and shall be disclosed where required for compliance or legal reasons only.

Document Control Box			
<b>Business Unit:</b>	Governance		
<b>Legislation:</b>	<i>Local Government Act 1995</i> <i>Local Government (Financial Management) Regulations 1996</i>		
<b>Organisational:</b>	AASB 124 Related Party Disclosures Town of Claremont Related Party Disclosure Form Annual Return Work Procedure		
<b>Review Frequency:</b>	Annual	<b>Next Due:</b>	2021
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