



1/028 Related Party Disclosures

Objective

This Policy explains the application of The Australian Accounting Standard Board 124 ('AASB 124') [Related Party Disclosures](#) on the Town of Port Hedland and outlines the required mechanisms to meet the disclosure requirements of AASB 124.

This policy explains what a Related Party Disclosure is, identifies who is required to make a Related Party Disclosure, what is disclosed and the process to facilitate this.

Content

1. Background

The objective of AASB 124 is to ensure that an entity's financial statements contain disclosures necessary to draw attention to the possibility its financial position and profit or loss may have been affected by the existence of related parties and by transactions and outstanding balances with such parties. Disclosures including related party relationships, transactions and outstanding balances are to be recorded in its Annual Financial reports.

Related Party Disclosure differs from a conflict of interest in that a conflict need not exist for a related party relationship to be present. That is, the presence of the relationship alone warrants its disclosure and is regardless of whether a transaction has occurred or not. This is to foster transparency and accountability.

For each financial year, the Town of Port Hedland must make an informed judgement to identify who it considers to be key management personnel. It is these personnel who are then required to complete the disclosure of related parties and transactions.

The purpose of this procedure is to identify key management personnel, related parties and transactions in the assessment process of AASB 124.

2. Identification of Key Management Personnel

The Western Australian Department of Local Government and Communities define Key Management Personnel ('KMP') as personnel who have the authority and responsibility to plan, direct, control and influence the activities of Council, either directly or indirectly. The KMP need not necessarily be a member of the executive team of Council.



The Town of Port Hedland has identified the following persons as meeting the definition of a KMP:

- An elected member of Council or a Committee member;
- Persons employed under section 5.36 of the *Local Government Act 1995* ('the Act') in the capacity of the Chief Executive Officer or a Director of the Town of Port Hedland; and
- Persons employed under section 5.36 of the Act who acted for any length of time as a Director of the Town of Port Hedland (i.e. Managers who have acted in a Director role).

All local government entities are required to capture the related party disclosure of all identifiable KMPs for the previous financial year reporting period. This is irrespective if the personnel are no longer a current employee or elected member.

3. Identification of Related Parties

The KMP must identify related parties with whom their relationship may have an element of significant influence that can potentially impact the reporting entity (Town of Port Hedland) a KMP or a close family member of the KMP. The impact may be real, perceived or potential. The extent of the influence must be significant and not minor.

The Town of Port Hedland has identified the following parties as meeting the definition of a related party:

- Close members of family include the person's child, spouse, parents, siblings or domestic partner, and the children, parents, siblings or dependents of a spouse or domestic partner.
- Entities that are controlled or jointly controlled by an elected member of a Committee or Council members, KMP or their close family members, such as companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

Declarations involving these related parties will have any associated transactions assessed.

4. Identification of Transactions

Related Party Transactions

A Related Party Transaction is a transfer of resources, services or obligations between the reporting entity (Town of Port Hedland) and the related party, regardless of whether a price is charged.



For the purpose 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, including a Recreation Centre, the Civic Centre, libraries, 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.

Ordinary Citizen Transactions

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.

OTCs include:

- Paying rates
- Fines



- Use of Town 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

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 KMPs will be required to make a declaration in the Related Party Disclosures - Declaration form about the nature of any discount or special terms received.

5. Disclosure Requirements

KMP are required to complete the 'Related Party Disclosures Declaration form' ([found here](#)) annually for the previous financial year. The form is to be provided by 31 July and not before 1 July. KMP may additionally be required to complete the declaration form at other intervals such as elections coinciding with a change in elected members and the employment commencement and cessation of senior management (and no later than 30 days in these circumstances) All KMP are responsible for assessing and disclosing their own, their close family members' and their related entities' relationship with the Town of Port Hedland. KMP have an ongoing responsibility to advise the Town of Port Hedland immediately of any Related Party Transactions.

The declaration form will be collated by the governance business unit and assessed by the financial services business unit of the Town of Port Hedland.

OCT transactions involving a related party and all non-OCT transactions must be specified on the declaration form.

Should a KMP have any uncertainty as to whether a transaction may constitute a Related Party Transaction, they should contact the Manager Finance who will make a determination.

The governance business unit will maintain and keep up to date a record of Related Party Transactions declared by KMPs. The records include details of:

- Description of the Related Party Transaction
- Name of the Related Party Transaction
- Nature of the related party's relationship with the Town of Port Hedland
- Whether the notified Related Party Transaction is existing or potential
- A description of related documents that are the subject of the related party

Confidentiality & Privacy

All information contained in a disclosure form will be treated in confidence. All data stated in the annual financial reports will be described in an aggregate, non-identifiable manner (subject to any disclosure requirements of AASB 124). The



financial services business unit has discretion to request additional information from a KMP in regards to the disclosure of a transaction to determine materiality.

The following persons and business units are permitted to access, use and disclose the information provided in a related party disclosure or contained in the Town of Port Hedland's records:

- The Chief Executive Officer;
- Director of Corporate Services;
- Financial services business unit;
- Governance business unit;
- An Auditor of the Town of Port Hedland; and
- Other officers as determined by the Chief Executive Officer.

The above persons and business units may access, use and disclose information in a Related Party Disclosure or contained in records of Related Party Transactions to assess and verify the Related Party Transaction, reconcile identified Related Party Transactions against those disclosed or contained in records or to comply or verify compliance with the disclosure requirements of AASB 124.

6. Materiality

The financial services business unit of the Town of Port Hedland will review and determine the materiality of disclosed transactions. Consideration will be given to both the size and nature of the transaction, individually and collectively.

Definitions

“Close members of KMP”

Those members who may be expected to influence, or be influenced by, that KMP in their dealings with the reporting entity.

“Committee Member “

means a person appointed to committees by Council in accordance with section 5.10 of the Act.

“KMP”

Key Management Personnel who have the authority and responsibility to plan, direct, control and influence the activities of Council, either directly or indirectly. The KMP need not necessarily be a member of the executive team of Council.

“Material” (Materiality)



The assessment of whether a 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.

“Related Party”

A person or entity that is related to the entity preparing its financial statements (referred to as the ‘reporting entity’).

“Related Party Transaction”

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

“OCT”

Ordinary Citizen Transactions, 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 assessed to be not material in nature are:

- (a) Paying rates and utility charges; and
- (b) Using Council’s public facilities after paying the corresponding fees.

Relevant legislation	Australian Accounting Standard Board 124 (AASB 124) Local Government Act 1995
Delegated authority	Nil
Business unit	Governance
Directorate	Corporate Services

Governance to complete this section			
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Document Control Statement – The electronic reference copy of this Policy is maintained by the Governance Team. Any printed copy may not be up to date and you are advised to check the electronic copy at <http://www.porthedland.wa.gov.au/documents/public-documents/policies> to ensure that you have the current version. Alternatively, you may contact the Governance Team.



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<https://walga.asn.au/getattachment/Policy-Advice-and-Advocacy/Governance-and-Organisational-Services/INFOPAGE-Related-Party-Disclosures-June-2017.pdf.aspx?lang=en-AU>