



1/028 Related Party Disclosures

Objective

To establish mechanisms to meet the disclosure requirements of Australian Accounting Standard Board 124 ('AASB 124') Related Party Disclosures, ensuring that the Town's Annual Financial reports contain necessary disclosures of related party relationships, transactions, and outstanding balances.

Content

1. *Background*

Pursuant to AASB 124, related party disclosures apply to not-for-profit entities, including local governments. The objective is to ensure that financial statements contain disclosures necessary to draw attention to the possibility that the Town's financial position and profit or loss may have been affected by related parties and transactions.

Important distinction: A related party disclosure differs from a conflict of interest in that a conflict need not exist for a related party relationship to be present. The relationship alone warrants disclosure, regardless of whether a transaction has occurred.

2. *Identification of Key Management Personnel*

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

- An elected member of Council or a Committee
- Persons employed under section 5.36 of the Local Government Act 1995 in the capacity of:
 - Chief Executive Officer
 - Director of the Town of Port Hedland

Note: All local government entities must capture related party disclosures of all identifiable KMPs for the previous financial year reporting period, including those no longer employed or serving as elected members.

3. *Identification of Related Parties*

The KMP must identify related parties with whom their relationship may have an element of significant influence that may impact the reporting entity (Council), a KMP, or a close friend or 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 identifies the following as related parties:

Close members of family including:

- Person's child
- Spouse or domestic partner
- Children or dependents of spouse or domestic partner

Entities that are controlled or jointly controlled by:

- Elected members of Committee or Council
- KMP or their close family members
- Including:
 - Companies
 - Trusts
 - Joint ventures
 - Partnerships
 - Non-profit associations (such as sporting clubs)

4. Identification of Transactions

Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Town of Port Hedland (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 these criteria:

- 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
- 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 (OCTs)

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.

Ordinary Citizen Transactions shall 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 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.



5. *Disclosure Requirements*

Timing:

1. KMPs must complete the 'AASB Related Party Disclosures Declaration form' annually
2. Additional declarations may be required during elections or upon employment cessation

Process:

1. Forms collated by the governance business unit
2. Assessment conducted by financial services business unit

Confidentiality:

1. All disclosure information treated confidentially
2. Annual financial reports present data in aggregate, non-identifiable manner

Management has discretion to request additional information from a KMP in regard to the disclosure of a transaction to determine materiality.

6. *Materiality*

The financial services business unit determines materiality considering:

- Transaction size
- Transaction nature
- Individual and collective impact
- Consultation with Audit, Risk and Governance Committee for OCT materiality

Related Documentation and Legislation

[Australian Accounting Standard Board 124 \(AASB 124\)](#)

[Local Government Act 1995](#)

[AASB Related Party Disclosures Declaration form](#)

Definitions

“Arm's Length Transaction” A transaction conducted on terms and conditions no different from those which would be adopted if the parties were dealing at arm's length in the same circumstances.



"Key Management Personnel (KMP)" means persons having authority and responsibility for planning, directing, and controlling the activities of the Town, directly or indirectly, including:

- Elected members of Council or Committee
- Chief Executive Officer
- Directors of the Town of Port Hedland

"Ordinary Citizen Transaction (OCT)" 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.

"Related Party" means a person or entity related to the Town, including:

- KMP
- Close family members of KMP
- Entities controlled or jointly controlled by KMP or their close family members

"Related Party Transaction" means a transfer of resources, services, or obligations between the Town and a related party, regardless of whether a price is charged.

"Significant Influence" The power to participate in the financial and operating policy decisions of an entity but not control those policies.

Relevant legislation	Australian Accounting Standard Board 124 (AASB 124)
Delegated authority	Nil
Business unit	Financial Services
Directorate	Corporate Services



<i>Governance to complete this section</i>			
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