



WUJAL WUJAL ABORIGINAL SHIRE COUNCIL RELATED PARTY DISCLOSURE PROCEDURE

Responsible Manager:	Director Finance & Corporate Services
Head of Power:	AASB 124 <i>Related Party Disclosures</i> AASB 10 <i>Consolidated Financial Statements</i> AASB 11 <i>Joint Arrangements</i> AASB 128 <i>Investments in Associates and Joint Ventures</i> Local Government Act 2009 Local Government Regulation 2012
Authorised by:	Chief Executive Officer
Authorised on:	19 May 2020
Implemented from:	19 May 2020
To be reviewed on:	30 June 2021
Corporate Plan:	Governance

POLICY STATEMENT

Wujal Wujal Aboriginal Shire Council is committed to best practice in the area of governance, including compliance with standards regarding related party transactions.

The purpose of this procedure is to:

- (a) record Council's commitment to complying with all related party transaction requirements under AASB 124 *Related Party Disclosures*;
- (b) establish a system for identifying and recording related parties and related party relationships; and
- (c) to identify ordinary citizen transactions that will not be disclosed by Council.

SCOPE

This procedure applies to all related parties of the Wujal Wujal Aboriginal Shire Council.

DEFINITIONS

An **arm's length transaction** is a transaction in which all parties act freely and independently and have no relationship to each other.

Acting refers to an employee who is appointed and approved to fulfil the duties of a position other than their permanent substantive position.

Close Family Members of Key Management Personnel (KMP) are family members who may be expected to influence, or be influenced by, that person in their dealings with the Council.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Ordinary Citizen Transactions (OCTs) are transactions that an ordinary citizen would undertake with Council, that do not need to be captured and reported.

Joint control is the contractually agreed sharing of control over an economic activity.

Key Management Personnel (KMP) are persons having authority and responsibility for planning, directing and controlling the activities of the Council, directly or indirectly.

A **related party** is a person or entity that is related to the Council.

The following persons are considered related parties of the Council:

- a. a member of the Key Management Personnel and the spouse, domestic partner and children of the Key Management Personnel.
- b. entities controlled by a member of the KMP, their spouses, domestic partner and children.
- c. Any person who has significant influence over the reporting entity.

A **related party transaction** is a transfer of resources, services or obligation between the entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity but does not control or have joint control over those policies.

IDENTIFYING RELATED PARTIES

Related parties include government-related entities, key management personnel (KMP), their close family members and any entities that they control or jointly control.

In accordance with paragraph 14 of AASB 124 *Related Party Disclosures*, to enable users of financial statements to form a view about the effects of related party relationships on an entity, it is appropriate to disclose the related party relationship when control exists, irrespective of whether there have been transactions between the related parties.

Any transactions with these parties, whether monetary or not, need to be identified for inclusion in Council's annual financial statements.

Government Related Entities

In accordance with AASB 10, AASB 11 and AASB 128, Council has determined that it does not control, jointly control or have significant influence over another entity.

Under paragraph 25 of AASB 124 Council is exempt from the disclosure requirements in relation to related party transactions and outstanding balances, including commitments, with government entities that have control, joint control or significant influence over Council.

Council will however disclose;

(a) the name of the government and the nature of its relationship with Council (i.e. control, joint control or significant influence);

(b) the following information in sufficient detail to enable users of the financial statements to understand the effect of related party transactions on Council's financial statements:

(i) the nature and amount of each individually significant transaction; and

(ii) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

Key Management Personnel (KMP)

Council has determined in accordance with AASB 124, that the following positions meet the definition of KMP:

- Mayor
- Councillors
- Chief Executive Officer (CEO)
- Director Works & Building Services
- Director Finance & Corporate Services

Employees performing any of the roles above in an acting capacity are deemed a KMP to which this procedure applies.

Key Management Personnel are to provide an annual declaration (Example at **Appendix 1**) identifying:

- (a) their close family members; and
- (b) entities that they control or are associated with; and
- (c) entities that their close family members control or jointly control.

Close Family Members of KMP

- Children of the Mayor, Councillors and the CEO
- Spouse/domestic partner of the Mayor, Councillors and the CEO
- Dependents of the Mayor, Councillors and the CEO
- Dependents of a spouse/domestic partner of the Mayor, Councillors and the CEO
- Children of a senior staff member that is a KMP
- Spouse/domestic partner of a senior staff member that is a KMP
- Dependents of a senior staff member that is a KMP
- Dependents of a spouse/domestic partner of a senior staff member that is a KMP

Other Family Members of KMP that may be expected to influence, or be influenced by, that person in their dealings with Council. Close family members will be identified by reviewing the Register of Interest maintained by the CEO along with Related Party Declarations made by KMP.

Individual KMP is responsible for identifying the close family members.

Entities that are controlled or jointly controlled by KMP or their close family members

Entities include companies, trusts, clubs, charities, joint ventures and partnerships.

Example:

A KMP is a board member of a local enterprise

Related entities will be identified by reviewing the Register of Interest maintained by the CEO along with Related Party Declarations made by KMP's.

Review

A review of all related parties (KMP, close family members and related entities) will be conducted annually, or in the event of one or more of the following triggers:

- Change of Councillor/s or CEO;
- Change in Senior Executive Employees (including Acting Positions);
- Corporate restructure;
- Change in family structure of KMP.

IDENTIFYING RELATED PARTY TRANSACTIONS

In accordance with AASB 124, Council has identified the following transactions made to Related Parties as Related Party Transactions.

- Employee benefits including short-term, long-term, post-employment, and termination benefits;
- Remuneration payments paid to Councillors during the financial year including Travel Allowances;
- Purchases or sales of goods;
- Purchases or sales of property and other assets;
- Rendering or receiving property and other assets;
- Rendering or receiving of goods or services;
- Leases or Licence agreement transactions;
- Commitment balances as at the end of the financial year (i.e. purchase order for procurement of goods and services);

- Debt balances at the end of the financial year (including ordinary citizen transactions debt balances);
- Loans and settlements of liabilities;
- Debt balances written-off during the financial year which were never paid at reporting date;
- Other transactions which identify as Related Party Transactions in AASB124.

IDENTIFYING ORDINARY CITIZEN TRANSACTIONS (OCTs)

Council has determined that the following transactions constitute an OCT and are therefore not material for disclosure. All other transactions above Council's external audit materiality limit will be disclosed.

- Paying Council fees, rates or charges
- Attending Council functions that are open to the public
- Payment for goods or services to Council at rates published in Council's Register of Fees and Charges.
- Visiting a council art gallery
- Payments and charges transactions made during the financial year which related to social housing rental in accordance with Department of Housing and Public Works Assistance Agreement

In the event that the transaction was to occur on terms and conditions that are different to those offered to the general public, then the transaction may become material.

A yearly Related Parties Transaction report is produced and reviewed by management to identify OCTs to be excluded from disclosures.

RELATED PARTY REGISTER

Related Party Transactions will be collated and maintained in a Related Party Register (Example at **Appendix 2**) by the Director Finance & Corporate Services for audit and reporting purposes.

DISCLOSING RELATED PARTY TRANSACTIONS

Paragraph 17 of AASB 124 *Related Party Disclosures* requires Council to disclose key management personnel compensation in total and for each of the following categories:

- (a) short-term employee benefits;
- (b) post-employment benefits;
- (c) long-term benefits; and
- (d) termination benefits

Paragraph 18 of AASB 124 *Related Party Disclosures* requires Council to disclose information about transactions that have occurred between the entity and its related parties, including transactions between the entity and its key management personnel or key management personnel of the entity's parent that is necessary for users to understand the potential effect of the relationship on the financial statements.

At a minimum, disclosures shall include:

- (a) the amount of the transactions;
- (b) the amount of outstanding balances, including commitments;

- (c) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement;
- (d) details of any guarantees given or received;
- (e) provisions for doubtful debts related to the amount of outstanding balances;
- (f) the expense recognised during the period in respect of bad or doubtful debts due from related parties.

Prior to preparation of the annual disclosure, formal acknowledgement of related parties and transaction details will be sourced from KMP's.

AUTHORISATION

This page and the previous bearing my initials were duly authorised by me as the **Wujal Wujal Aboriginal Shire Council Related Party Disclosure Procedure** on the 19 May 2020 and shall hereby supersede any previous Procedure of the same intent.



Stephen Wilton
Chief Executive Officer

Date: 19 May 2020

Appendix 1- Example Related Party Declaration by KMP's**Private and Confidential****Related Party Declaration by Key Management Personnel**

Name of Key Management Person: *(insert name)*

Position of Key Management Person: *(insert name)*

(List details of known close family members, entities that are controlled/jointly controlled by KMP and entities that are controlled/jointly controlled by the close family members of KMP)

Name person or entity

Relationship

I *(insert full name)*, *(insert position)* declare that the above list includes all my close family members and the entities controlled, or jointly controlled, by myself or my close family members. I make this declaration after reading the fact sheet supplied by council which details the meaning of the words "close family members" and "entities controlled, or jointly controlled, by myself or my close family members".

Declared at *(insert place)* on the *(insert date)*

Signature of KMP:

Name of KMP

Date:

