[**Policy Type**](#_top)

Council

[**Policy Purpose**](#Bookmark1)

To provide guidance in the preparation of City of Cockburn (the City) financial statements to ensure disclosure requirements are met for compliance with Australian Accounting Standards Board 124: Related Party Disclosures (AASB 124).

[**Policy Statement**](#Bookmark2)

1. Objective

1.1 The objective of AASB 124 is to ensure that an entity’s financial statements contain

the 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 by transactions and outstanding balances, including commitments, with

such parties.

2. Identification of Key Management Personnel

2.1. For the purposes of determining the application of AASB 124, the City has

identified the following persons as meeting the definition of ‘KMP’:

2.1.1. An Elected Member

2.1.2. A person employed under section 5.36 or 5.37 of the *Local Government Act*

*1995* in the capacity of CEO or Director

2.2. The Chief Executive Officer (CEO) will regularly review Key Management

Personnel (KMP)

3. Identification of Related Parties

3.1 AASB 124 provides that the City will be required to disclose in its Annual Financial

report, related party relationships, transactions, and outstanding balances. KMP are required to identify Related Parties in accordance with this policy.

4. Identification of Related Party Transactions

4.1 For the purposes of determining whether a Related Party Transaction has occurred, the following transactions or provisions of services have been identified as examples:

4.1.1. Paying rates, fees and charges or any other amount to the City

4.1.2. Use of City owned or operated facilities (whether charged a fee or not)

4.1.3. Attending City functions that are opened to the public

4.1.4. Employee compensation whether it is for KMP or Close Family

Members of KMP

4.1.5. Lease arrangements for properties (whether for a City owned property

or property leased by the City)

4.1.6. Monetary and non-monetary transactions between the City 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.

4.1.7. Sale or purchase of property owned by the City to a Related Party.

4.1.8. Sale or purchase of property owned by a Related Party to the City.

4.1.9. Loan arrangements

4.1.10. Contracts and agreements for construction, consultancy, or services

4.1.11. Any transaction, monetary or otherwise, involving an Entity that could

affect the financial and operating policies of the City through

presence of Control, Joint Control or Significant Influence.

5. Required Disclosures and Reporting

5.1 For the purposes of determining relevant transactions, KMP as identified above, will

be required to complete a Related Party Disclosures – Declaration in ATTAIN (the

City’s online compliance register).

5.2 The disclosure requirement above does not apply to:

5.2.1 Related party transactions that are ordinary citizen transactions not assessed

as being material; and

5.2.2 For Elected Members, allowances and expenses incurred that are provided to

an Elected Member during the financial year, under the Local Government Act

1995 and City of Cockburn Policy ‘Elected Members Entitlements- Allowances

and Reimbursement’, the particulars of which are contained in

City’s annual report pursuant to the *Local Government Act 1995* and *Local*

*Government (Administration) Regulations 1996*.

6. Materiality

6.1 Management will apply professional judgement in consultation with the City’s

external auditors to assess the materiality of transactions disclosed by related

parties and their subsequent inclusion in financial statements.

6.2 In assessing materiality, management will consider both the size and nature of the

transaction, individually and collectively.

7. Register of Related Party Transactions

The City uses ATTAIN to maintain and keep up to date a register of Related Party Transactions that captures and records information required for disclosure purposes for each existing or potentially Related Party Transaction (including any Ordinary Citizen Transaction assessed) as being material in nature during a financial year.

Definitions:

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| **Close Family Members of KMP**: | Family members who may be expected to significantly influence, or be influenced by, that KMP in their dealings with the City and include:  (a) that person’s children and spouse or domestic partner  (b) children of that person’s spouse or domestic partner;  (c) dependents of that person or that person’s spouse or  domestic partner.  For the purposes of AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts, or cousins) if they could be expected significantly to influence, or be influenced by, the Key Management Person in their dealings with City. |
| **Control:** | Control of an entity is where there is:  (a) power over the entity; and  (b) exposure or rights to variable returns from involvement with the entity; and  (c) the ability to use power over the entity to affect the amount of returns received, as determined in accordance with Australian Accounting Standard AASB 10 Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance). |
| **Joint Control:** | The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control (AASB 128). |
| **Key Management Personnel (KMP):** | Those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. |
| **Ordinary Citizen Transactions (OCTs):** | Transactions that an ordinary citizen would undertake with the City, which are undertaken on arm’s length terms and in the ordinary course of carrying out the City’s functions and activities.  Examples of ordinary citizen transactions assessed to be not material in nature include:  (a) fees and charges approved by Council that are on terms and conditions no different to the general public and by their nature or amount are not material;  (b) using the City’s public facilities after paying the corresponding fees. |
| **Related Party:** | A person or entity that is related to the City as defined in AASB124, paragraph 9.  Examples of related parties are:  (a) entities set up, controlled, or significantly influenced by the  City;  (b) KMP;  (c) close family members of KMP;  (d) entities that are controlled or jointly controlled by KMP or their close family members |
| **Related Party Transaction:** | A transfer of resources, services or obligations between the City 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 entity but is not control or joint control over those policies (AASB 128). |

**Bookmark 2**

**Bookmark 3**

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| [Strategic Link](#Bookmark3" \o "Strategic Link – outline the Informing Strategy, Framework or Plan to provide a link to the Community Strategic Plan. Refer to the Category Index for guidance): | Governance Framework |
| [Category](#Bookmark3) | Governance |
| [Lead Business Unit](#Bookmark3): | Legal and Compliance |
| [Public Consultation](#Bookmark3):  **(Yes or No)** | No |
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