



## Related Party Transactions Disclosure Policy

Responsible Officer

Deputy Chief Executive Officer

### Objective

To ensure that the Shire of Cocos (Keeling) Islands ('the Shire') Financial Statements contain disclosures necessary to comply with the Australian Accounting Standard Board (AASB) Standard 124 - Related Party Disclosures, which draw attention to the possibility that the Shire's Financial position and profit or loss may have been affected by the existence of transactions with a related party and outstanding balances and commitments with such parties.

### Scope

The Policy is to be applied in:-

- a) identifying and recording related parties and related party relationships;
- b) identifying and recording related party transactions and their terms and conditions;
- c) assessing materiality and or significance of these transactions; identifying the circumstances in which disclosure of points 1 and 2 is required;
- d) determining the disclosures to be made about points 1 and 2; and
- e) disclosing relevant information in the Financial Statements.

Key Management Personnel will include, but not limited to, Councillors, Chief Executive Officer, Deputy Chief Executive Officer and Managers.

### Policy

From 1 July 2016, AASB 124 Related Party disclosures will apply to Council. This will mean that Council will be required to disclose information about related parties and Council transactions with those related parties in the 2016-17 financial statements and onwards. In the context of transactions, this means cash and non-cash transactions.

As the disclosures will form part of the financial statements, they will be subject to audit by the external auditors.

Key Management Personnel (KMP) will be identified and the position they hold with Council. They will be required to complete a disclosure Notification, which at

minimum will require details of the related party, (family members and/or entities) that may have existing transaction potential with Council and the relationship.

As per paragraph 17 AASB 124, Council shall disclose compensation in total provided to KMP, and for each of the following categories,

- (a) Short term employee benefits;
- (b) Post-employment benefits;
- (c) Other long-term benefits;
- (d) Termination benefits; and
- (e) Share based payments.

For disclosure requirements of AASB 124, Council shall implement a process to capture related party transactions for reporting in the financial statements and the following will be collected through each year;

- (a) Related parties to the KMP;
- (b) Relationship to KMP;
- (c) Transactions that are monetary and/or non-monetary;
- (d) The value of the transaction if monetary;
- (e) The benefit if non-monetary;
- (f) The value of outstanding balances;
- (g) Details of commitments and/or guarantees;
- (h) Recognition for the provision of doubtful debts related to outstanding balances of related parties.

KMP who no longer holds that role in Council will still be subject to disclosure requirements up until their status as KMP is no longer applicable. The same will apply for KMP who acquires the role in that year.

Once the related party transactions have been identified, they will be assessed and a determination will be made regarding the materiality of the transaction. This will include assessment of Ordinary Citizen Transactions and whether the terms and conditions differ from normal practice, which would then exclude them from being Ordinary Citizen Transactions.

If a Councillor believes a transaction may constitute a related party transaction, they must notify the Chief Executive Officer who will discuss the matter with the Deputy Chief Executive Officer.

If an Employee believes a transaction may constitute a related party transaction, they must notify their supervisor or manager who will discuss the matter with the Deputy Chief Executive Officer.

The Finance Department will be responsible for the maintenance of a register that captures all related party transactions of the KMP.

**Privacy:** Council will endeavour to ensure that only those staff involved in the preparation of the related party disclosures and the external auditors will have access to the Related Party Declarations [Related Party Transactions Notification by Key Management Personnel Form] and related party transactions.

### Definitions

**Related Party:** A person or an entity that is related to Council, referred to as the 'reporting entity'. Examples of related parties of Council are:- (i) Council Subsidiaries; (ii) Key Management Personnel ('KMP'); (iii) Close family members of Key Management Personnel; (iv) Entities that are controlled or jointly controlled by key management personnel or their close family members.

**Key Management Personnel (KMP):** A person or persons having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any manager (executive or otherwise) of that entity. In the case of the Shire of Cocos, KMP will include, but is not limited to, Councillors, Chief Executive Officer, Deputy Chief Executive Officer and Managers.

**Close Members of the Family:** Those are family members who may be expected to influence or be influenced by those individuals' dealings with Council and include: (i) Children and spouse or domestic partner (ii) Children of that person's spouse or domestic partner (iii) Dependents of that person or that persons spouse or domestic partner Under AASB 124, close members of family could also include extended members of family such as parents, siblings, grandparents, uncles/aunts or cousins if they could be expected to have influence or be influenced by the KMP in their dealings with Council.

**Related Party Transactions:** These are a transfer of resources, services or obligations between Council and a related party, regardless of whether a price is charged.

**Ordinary Citizen Transaction:** These are transactions that an ordinary citizen would undertake with Council, which would be undertaken at arm's length and in the ordinary course of carrying out Council's functions and activities. They would not be

seen as material in nature. Example of ordinary citizen transactions would be: (i) The paying of rates and charges (ii) The use of Council owned public facilities (iii) Attending council functions that are open to the public.

**Control:** power to govern the financial and operating policies of any entity to obtain benefits from its activities.

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

Office Use Only				
Relevant Delegations				
Council Adoption	<b>Date</b>	8/11/2017	Resolution #	1117/10
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Reviewed/Modified	<b>Date</b>		Resolution #	