

Shire of Mundaring

POLICY

RELATED PARTY TRANSACTIONS AND DISCLOSURE

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PURPOSE

To ensure that the Shire of Mundaring's Financial Statements contain disclosures necessary to comply with the Australian Accounting Standard AASB 124 Related Party Disclosures, which draws 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.

POLICY

The Related Party Disclosure Policy aims to assist Council in complying with the disclosure requirements and the level of reporting within the Financial Statements as per AASB-124 Related Party Disclosures. It aims to define the parameters for related party transactions and the level of disclosure and reporting.

Scope:

The Policy is to be applied in:

1. Identifying and recording related parties and related party relationships;
2. Identifying and recording related party transactions and their terms and conditions;
3. Assessing materiality and or significance of these transactions;
4. Identifying the circumstances in which disclosure of points 1 and 2 is required;
5. Determining the disclosures to be made about points 1 and 2; and
6. Disclosing relevant information in the Financial Statements.

Definitions:

1. Related Party

A person or an entity that is related to the Shire, referred to as the "reporting entity".

Examples of related parties of the Shire are:

- Council Subsidiaries;
- Key Management Personnel (KMP);
- Close family members of KMP; and
- Entities that are controlled or jointly controlled by KMP or their close family members.

2. 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 director (executive or otherwise) of that entity. In the case of the Shire, KMP will include, but is not limited to, Councillors, CEO and Directors.

3. Close members of the family

Those are family members who may be expected to influence or be influenced by those individuals' dealings with the Shire and include:

- Children and spouse or domestic partner;
- Children of that person's spouse or domestic partner; and
- Dependents of that person or that persons spouse or domestic partner.

Under AASB 124, close members of the family could also include extended members of the 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 the Shire.

4. Related Party Transactions

These are a transfer of resources, services or obligations between the Shire and a related party, regardless of whether there is a cost involved.

5. Ordinary Citizen Transaction

These are transactions that an ordinary citizen would undertake with the Shire, which would be undertaken at arm's length and in the ordinary course of carrying out the Shire functions and activities. They would not be seen as material in nature.

Examples of ordinary citizen transactions would be:

- The paying of disposal charges at Shire facilities; and
- The purchase of saleable products from Shire facilities.

6. Control

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

7. Significant Influence

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

Responsibilities:

Key Management Personnel will include, but is not limited to, Councillors, CEO and Directors.

Recommended Practices:

From 1 July 2016, AASB 124 Related Party Disclosures applies to the Shire. This means that the Shire will be required to disclose information about related parties and the Shire's transactions with those related parties in the 2016-2017 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.

KMP will be identified and the position they hold with the Shire disclosed. 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 the Shire and the relationship to the KMP.

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

- Short term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits; and
- Share based payments.

For disclosure requirements of AASB 124, the Shire shall implement a process to capture related party transactions for reporting in the financial statements. The following will be collated and recorded throughout each year:

- Related parties to the KMP;
- Relationship to KMP;
- Transactions that are monetary and/or non-monetary;
- The value of the transaction if monetary;
- The benefit if non-monetary;
- The value of outstanding balances;
- Details of commitments and/or guarantees; and
- Recognition for the provision of doubtful debts related to outstanding balances of related parties.

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

Once the related party transactions have been identified, they will be assessed by the Manager Finance and Governance 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 CEO who will discuss the matter with the Manager Finance and Governance to confirm whether the transaction falls within the scope of this policy.

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 Manager Finance and Governance to confirm whether the transaction falls within the scope of this policy.

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

Privacy

The Shire will endeavour to ensure that only those staff and the external auditors who are involved in the preparation of the related party disclosures will have access to the related party declarations and related party transactions.