2.12 RELATED PARTY TRANSACTIONS AND DISCLOSURE

Responsible Directorate	Corporate Services
Responsible Service Area	Finance
Resolution	Adopted October 2026 C18-10-2026 Adopted December 2017 C4.12.17 Reviewed September 2023 C7.09.23
Procedure Ref	N/A

1. PURPOSE

To ensure that Shire of Mundaring's (the Shire's) financial statements include the disclosures required by the Australian Accounting, Related Party Disclosures (AASB 124). The Standard recognises that the Shire's financial position and operating result may be affected by transactions involving related parties.

This policy assists Council in complying with the disclosure requirements of AASB 124. It aims to define the parameters for related party transactions and the level of disclosure and reporting. It is important to emphasise that AASB 124 is not designed to detect and report fraud.

2. SCOPE

This policy applies to all Key Management Personnel (KMP) of the Shire including Council Members, the Chief Executive Officer and Directors.

3. DEFINITIONS

Act	*Local Government Act 1995*
close members of the family	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.

Entity	can include a body corporate, a partnership or a trust, incorporated association, or unincorporated group or body.
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.
ordinary citizen transaction	a transaction undertaken with the Shire on the same terms and conditions that are generally available to members of the public.
significant influence	the power to participate in the financial and operating policy decision of an entity but not to control those policies.

4. POLICY

Related party transactions are a normal part of business operations. However they can affect the profit or loss, financial position, and cash flows of an entity. Related party transactions may occur on terms that would not be available between unrelated parties. Consequently, information about related party relationships, transactions and outstanding balances may influence users' assessment of the Shire's financial statements. Identifying Related Parties

The most common related parties of the Shire includes, but is not limited to:

- Council members (KMP).
- A person employed under section 5.36 of the Act in the capacity of Chief Executive Officer or Director (KMP).
- Close members of the family of any person listed above; and
- Entities that are controlled or jointly controlled by a KMP or their close family members. Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs.

4.1. The Shire will assess transactions involving these persons and entities to determine whether disclosure is required under AASB 124 Identification of Related Party Transactions

A related party transaction is a transfer of resources, services or obligations between the Shire and the related party, regardless of whether a fee or charge applies.

• Examples of transactions that may constitute related party transactions include, but are not limited to: paying rates

• infringements

• use of Shire owned facilities such as libraries, parks, ovals and other public open spaces (whether charged a fee or not)

• employee compensation whether it is for KMP or close family members of KMP

• application fees paid to the Shire for licences, approvals or permits

• lease agreements for housing rental (whether for a Shire owned property or property sub-leased by the Shire through a Real Estate Agent)

• lease agreements for commercial properties

• monetary and non-monetary transactions between the Shire 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 Shire (trading arrangement)

• sale or purchase of any motor vehicles, buildings or land owned by Shire, to a person identified above

• sale or purchase of any motor vehicles, buildings or land owned by a person identified above, to the Shire

• 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.

Where the Shire can determine that an ordinary citizen transaction 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.

Examples of ordinary citizen transactions include:

• paying rates

• infringements

• use of Shire owned facilities such as libraries, parks, ovals and other public open spaces (whether charged a fee or not)]

• disposal charges at Shire facilities

• purchase of goods available for sale from Shire facilities

4.2. Identifying Circumstances in which Disclosure is Required

When assessing materiality, consideration must be given to both the nature and value of the transaction, both individually and collectively, in accordance with AASB 124Identifying Information about the Related Parties And Related Party Transactions.

The Shire will identify all KMP and disclose the positions they hold.

KMP must complete a Related Party Disclosure Declaration Form (Appendix 1), providing details of any related parties, including close family members and entities, that may have transactions with the Shire.

KMP are to complete a Related Party Disclosure Declaration Form:

• annually; and

• immediately prior to the end of a council member term (as applicable) or;

• immediately prior to the termination of an employee who is a KMP (as applicable).

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.

Completed forms are to be submitted to the Accountant. The Finance Department will be responsible for the maintenance of a register that captures all related party transactions of KMP.

4.3. Privacy

Disclosures form part of the Shire's financial statements, therefore, they are subject to audit by independent external auditors.

It should be noted it is only the transactions (if any) that have occurred between a related party and the Shire during the financial year that are disclosed in the annual financial report.

The Shire will take reasonable steps to ensure that access to related party declarations is restricted to employees and auditors who require the information to fulfil their responsibilities.

5. APPENDICES

Appendix 1 Related Party Disclosures Declaration Form

6. RELATED LEGISLATION

Not Applicable

7. RELATED DOCUMENTS

Australian Accounting Standard, Related Party Disclosures (AASB 124)