

Shire of Wiluna Policy Manual

RELATED PARTY DISCLOSURES

Policy 2.29

PROCEDURE FOR RELATED PARTY DISCLOSURES

The scope of AASB 124 Related Party Disclosures was extended in July 2015 to include application by not-for-profit entities, including local governments. The operative date for Local Government is 1 July 2016, with the first disclosures to be made in the Financial Statements for the year ended 30 June 2017. This procedure outlines required mechanisms to meet the disclosure requirements of AASB 124.

BACKGROUND

The objective of the standard is to ensure that an entity's financial statements contain 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 transactions.

The disclosure requirements apply to the existence of relationships regardless of whether a transaction has occurred or not. For each financial year, the Shire of Wiluna must make an informed judgement as to who is considered to be a related party and what transactions need to be considered, when determining if disclosure is required.

The purpose of this procedure is to stipulate the information to be requested from related parties to enable an informed judgement to be made.

1. Identification of Related Parties

AASB 124 provides that the Shire of Wiluna will be required to disclose in its Annual Financial reports, related party relationships, transactions and outstanding balances.

Related parties include a person who has significant influence over the reporting entity, a member of the key management personnel (KMP) of the entity, or a close family member of that person who may be expected to influence that person.

KMP are defined as persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

For the purposes of determining the application of the standard, the Shire of Wiluna has identified the following persons as meeting the definition of Related Party:

- An elected Council member
- Key management personnel being a person employed under section 5.36 of the Local Government Act 1995 in the capacity of Chief Executive Officer, Deputy Chief Executive Officer, or Executive Manager.
- Close members of the family of any person listed above, including that person's child, spouse or domestic partner, children of a spouse or domestic partner, dependents of that person or person's spouse or domestic partner.

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- Entities that are controlled or jointly controlled by a Council member, KMP or their close family members. (Entities include companies, trusts, joint ventures, partnerships and non-profit associations such as sporting clubs).

The Shire of Wiluna will, therefore, be required to assess all transactions made with these persons or entities.

2. **Identification of related party transactions**

A related party transaction is a transfer of resources, services or obligations between the Shire of Wiluna (reporting entity) and the related party, regardless of whether a price is charged.

For the purposes of determining whether a related party transaction has occurred, the following transactions or provision of services have been identified as meeting these criteria:

- Paying rates
- Fines
- Use of Shire of Wiluna owned facilities such as Recreation Centre, Swimming Pool, library, roads, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending Shire functions that are open to the public
- Employee compensation whether it is for KMP or close family members of KMP
- Application fees paid to the Shire of Wiluna for licences, approvals or permits
- Lease agreements for housing rental (whether for a Shire of Wiluna owned property or property sub-leased by the Shire of Wiluna through a Real Estate Agent)
- Lease agreements for commercial properties
- Monetary and non-monetary transactions between the Shire of Wiluna 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 of Wiluna (trading arrangement)
- Sale or purchase of any property owned by the Shire of Wiluna, to a person identified above.
- Sale or purchase of any property owned by a person identified above, to the Shire of Wiluna
- 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 the Shire and are referred to as an Ordinary Citizen Transaction (OCT). Where the Shire of Wiluna can determine that an OCT 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.

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3. Disclosure Requirements

For the purposes of determining relevant transactions in point 2 above, elected Council members and key management personnel as identified above will be required to complete a Related Party Disclosures - Declaration form for submission to the Shire's accounting section.

Ordinary Citizen Transactions (OCTs)

Management will put forward a draft resolution to Council annually, declaring that in its opinion, based on the facts and circumstances, the following OCTs that are provided on terms and conditions no different to those applying to the general public and which have been provided in the course of delivering public service objectives, are unlikely to influence the decisions that users of the Council's financial statements make. As such no disclosure in the quarterly Related Party Disclosures - Declaration form will be required.

- Paying rates
- Fines
- Use of Shire of Wiluna owned facilities such as Recreation Centre, Swimming Pool, library, roads, parks, ovals and other public open spaces (whether charged a fee or not)
- Attending Shire functions that are open to the public

Where these services were not provided at arm's length and under the same terms and conditions applying to the general public, elected Council members and KMP will be required to make a declaration in the Related Party Disclosures - Declaration form about the nature of any discount or special terms received.

All other transactions

For all other transactions listed in point 2 above, elected Council members and KMP will be required to make a declaration in the Related Party Disclosures - Declaration form.

Frequency of Disclosures

Elected Council members and KMP will be required to complete a Related Party Disclosures - Declaration form annually.

Disclosures must be made by all Councillors immediately prior to any ordinary or extraordinary election.

Disclosures must be made immediately prior to the termination of employment of/by a KMP.

Confidentiality

All information contained in a disclosure return will be treated in confidence. Generally, related party disclosures in the annual financial reports are reported in aggregate and as such, individuals are not specifically identified.

Notwithstanding, management is required to exercise judgement in determining the level of detail to be disclosed based on the nature of a transaction or collective transactions and materiality.

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Individuals may be specifically identified if the disclosure requirements of AASB 124 so demands.

4. **Materiality**

Management will apply professional judgement to assess the materiality of transactions disclosed by related parties and their subsequent inclusion in the financial statements.

In assessing materiality, management will consider both the size and nature of the transaction, individually and collectively.

Associated Regulatory Framework

AASB 124 Related Party Disclosures

Local Government Act 1995

Local Government (Financial Management) Regulations 1996

Document Control	
Responsible Directorate	Office of the CEO
Relevant Section	Corporate
Legislative Requirement	
Council Meeting Held & Adopted, Resolution #	28 June 2017 113/17
Amendments, Date & Resolution #	
Review Dates & Resolution #	
Next Review Date	