



WEDDIN SHIRE COUNCIL

POLICY NUMBER: 1.25.2

POLICY FOR RELATED PARTY DISCLOSURE

Adopted: 15 June 2017

POLICY FOR RELATED PARTY DISCLOSURE (NO 1.25.2)

1. OBJECTIVE

The objective of this policy is to ensure that Weddin Shire Council's Financial Statements contain disclosures necessary to comply with the Australian Accounting Standard AASB 124 - Related Party Disclosures. Meeting this objective will ensure Council's transactions with related parties are properly disclosed, thereby ensuring transparency in these dealings and their effect on Council's financial reports. These disclosures draw attention to the possibility that Council's 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. SCOPE

This Policy shall be applied in:

- (a) identifying related parties and relevant transactions;
- (b) identifying outstanding balances, including commitments, between Council and its related parties;
- (c) identifying the circumstances in which disclosure of the items in (a) and (b) is required; and
- (d) determining the disclosures to be made about those items.

This policy applies to elected members of Council, to all employees and to all consultants and contractors engaged by Council.

3. POLICY

3.1 BACKGROUND

Related party relationships are a normal feature of commerce and business. A related party relationship could have an effect on the profit or loss and financial position of Council. Related parties may enter into transactions that unrelated parties would not. For example, an entity that sells goods to its parent at cost might not sell on those terms to another customer.

In addition, the profit or loss and financial position of an entity may be affected by a related party relationship even if related party transactions do not occur. The mere existence of the relationship may be sufficient to affect the transactions of the entity with other parties.

Council is committed to responsible corporate governance, including compliance with the laws and regulations governing related party transactions.

3.2 IDENTIFYING RELATED PARTIES AND TRANSACTIONS

3.2.1 Entities related to Council

These are entities that are controlled by Council, jointly controlled by Council or over which Council has significant influence. Payments to these entities will be identified through Council's accounts payable system, with non-monetary transactions reviewed through Council's document management system.

3.2.2 Key Management Personnel (KMP)

Key management personnel have been defined for this policy as elected members, the chief executive officer, directors and managers. All key management personnel are responsible for self-assessing their own related parties and close family members on a six monthly basis. All related parties must be included in the self-assessment. Key management personnel are responsible for keeping the Director Corporate Services updated when any changes to those related parties occur outside of those times. Self-assessment will be recorded on the Related Party Declaration form.

Transactions with related parties will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

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3.2.3 Close family members of KMP Close family members are people who can be expected to influence or be influenced by key management personnel. Key management personnel will identify close family members (see definitions) through the self-assessment process.

Transactions with those applicable close family members will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

3.2.4 Entities controlled or jointly controlled by close family members of key management personnel Key management personnel will identify all entities that are controlled or jointly controlled by close family members through the self-assessment process.

Transactions with those applicable entities will be identified through Council's accounts payable, accounts receivable, applications, payroll and document management systems.

3.2.5 Types of related party transactions that are to be included The types of transactions that need to be captured for analysis to be included in the related party disclosure are as follows:

- Grants and subsidy payments made to associated entities of Council
- Non-monetary transactions between Council and associated entities of Council
- Other goods and services provided by Council to associated entities if Council
- Compensation made to key management personnel
- Fees and charges charged to related parties
- Infrastructure contributions and application fees from related parties
- Purchase of materials and services from related parties
- Employee expenses for close family members of key management personnel

3.3 DISCLOSURES

In accordance with *AASB 124 – Related Party Disclosures* Council shall, in its financial statements disclose:

a) Key management personnel compensation in total and for each of the following categories:

- Short-term employee benefits;
- Post-employment benefits;
- Other long-term benefits;
- Termination benefits; and

b) Where Council has determined it has related party transactions that require disclosure it shall disclose the nature of the related party relationship as well as information about those transactions and outstanding balances, including commitments. As a minimum the disclosures shall include: The amount of the transactions;

- The amount of outstanding balances, including commitments and their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlements;
- Details of any guarantees given or received;
- Provisions for doubtful debts related to the amount of outstanding balances; and
- The expense recognised during the period in respect of bad or doubtful debts due from related parties.

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c) Disclosures made under (b) shall be made separately for each of the following categories:

- Subsidiaries of Council;
- Associates of Council;
- Joint ventures in which Council is a joint venturer;
- Key management personnel; and
- Other related parties.

d) Items of a similar nature shall be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council.

e) Transactions not considered material (as defined in *AASB 101 Presentation of Financial Statements, 101.7*) shall not be disclosed. Assessing transactions for materiality shall be undertaken in conjunction with Council's external auditor and audit committee.

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

3.4 ORDINARY CITIZEN TRANSACTIONS (OCT)

Transactions with related parties of Council which are of a nature that any ordinary citizen would undertake will not be captured and reported. These transactions are not material transactions because of their nature. However, if the OCT occurs on terms and conditions that are different to those offered to the general public the transaction may become material and subsequently disclosed.

Ordinary Citizen Transactions shall include:

- Use of Council facilities, equipment and services in accordance with Council's fees, charges and policies;
- Payment of rates and charges;
- Attendance at Council functions and activities that are open to the public; -
- Payment of fines and other penalties on normal terms and conditions; and
- Related party transactions occurring during the course of delivering Council's public service objectives and which occur on no different terms to that of the general public.

Amendments to transactions classified as Ordinary Citizen Transactions may be identified from time to time and this policy will be amended accordingly.

3.5 IDENTIFICATION OF RELATED PARTIES AND RELATED PARTY RELATIONSHIPS

Council management shall implement a suitable system to identify related parties. The primary identification method of close family members and associated entities of Key Management Personnel shall be by (but not limited to) KMP self-assessment.

A review of related parties will be undertaken at twelve monthly intervals or sooner if required. KMP have a responsibility to identify and report any changes to their related parties as they occur.

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If a Councillor believes a transaction may constitute a related party transaction, they must notify the General Manager who will discuss the matter with the Manager Financial Services.

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 Financial Services.

3.6 IDENTIFICATION AND RECORDING OF RELATED PARTY TRANSACTIONS

Council management shall identify suitable methodology and procedures for identifying and reporting on related party transactions such that accurate data will be collated from 01 July 2016. Identification and reporting methods shall consider;

- Transactions occurring via Council's accounting and electronic records management systems;
- Other transactions not passing through Council's electronic accounting / management systems;
- and - The identification of the associated terms and conditions of the related party transactions.

If any elected member or employee believes a transaction may constitute a related party transaction they must notify the Director Corporate Services who will, in consultation with the General Manager, make a determination on the matter.

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

3.7 PRIVACY AND FREEDOM OF INFORMATION

Collection and storage of personal information is governed by Council's Information Privacy Policy, the *Privacy Act 1988* and the *Right to Information Act 2009*. Information provided by Council's Key Management Personnel and other related parties shall be held for the purpose of compliance with Council's legal obligations and shall be disclosed where required for compliance or legal reasons only.

Council will endeavour to ensure that only those staff and the external auditors that are involved in the preparation of the related party disclosures will have access to the Related Party Declarations and related party transactions.

4. 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;

- a) Council Subsidiaries
- b) Key Management Personnel (KMP)
- c) Close family members of Key Management Personnel
- d) Entities that are controlled or jointly controlled by key management personnel or their close family members

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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 Bland Shire Council, KMP will include, but is not limited to, Councillors, General Manager and Directors.

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:

- a) Children and spouse or domestic partner
- b) Children of that person's spouse or domestic partner
- c) 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;

- a) The paying of rates and charges
- b) The use of Council public facilities after paying the corresponding fees

Control: The 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.

5. RELATED POLICIES | LEGISLATION | OTHER DOCUMENTS

Local Government Act 1993

Local Government Regulation 2005

AASB 124 –Related Party Disclosures (July 2015) Australian Accounting Standards

6. REVIEW AND AMENDMENT

This policy will be reviewed annually, to ensure it meets all statutory requirements and the needs of Council.

This policy may be amended or cancelled by Council at any time without prior notice or obligation.

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7. HISTORY

Version	Details
1.25.2	Adopted 15 June 2017