



RELATED PARTY DISCLOSURES POLICY

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TABLE OF CONTENTS

| | |
|--|---|
| Purpose..... | 1 |
| Objectives..... | 1 |
| Scope..... | 1 |
| Definitions..... | 1 |
| AASB 124 Disclosures..... | 3 |
| AASB 124 Disclosed Information..... | 3 |
| AASB 124 In Aggregate or Separate..... | 3 |
| Identifying Related Party Transactions with KMPs and their Close Family Members..... | 3 |
| Ordinary Citizen Transactions..... | 5 |
| Register of Related Party Transactions..... | 5 |
| Review..... | 5 |
| Contact..... | 5 |
| Amendments..... | 6 |

Purpose

To provide guidelines to ensure all relevant key management personnel (councillors and executive staff) comply with the requirements of the Australian Accounting Standards Board's accounting standard AASB 124.

Objectives

To ensure that the existence of certain related party relationships and related party transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them, and information about the transactions, necessary for users to understand the potential effects on the financial statements are properly identified, recorded in Council's systems, and disclosed in Council's general purpose financial statements in compliance with the AASB 124.

This policy is to be applied in:

1. identifying related party relationships; related party transactions, and ordinary citizen transactions concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them; and
2. identifying information about the related party transactions for disclosure;
3. establishing systems to capture and record the related party transactions and information about those transactions;
4. identifying the circumstances in which disclosure of the items in 1 and 2 above are required;
5. determining the disclosures to be made about those items in the general purpose financial statements for the purpose of complying with the AASB 124.

Scope

The Policy applies to the Mayor, Councillors, the General Manager and Executive Staff and Chief Financial Officer.

Definitions

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| arm's length terms | (a) neither party bearing the other any special duty or obligation; and (b) the parties being unrelated and uninfluenced by the other; and (c) each party having acted in its own interest |
| associate | In relation to an entity (the first entity), an entity over which the first entity has significant influence. |
| close family members | In relation to a key management person, family members who may be expected to influence, or be influenced by that key management person in their dealings with Council and include: (a) that person's children and spouse or domestic partner; (b) children of that person's spouse or domestic partner; and (c) parents and siblings. |
| Control | Control of an entity is present when there is: (a) power over the entity; and |

Related Party Disclosures Policy

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| | <p>(b) exposure or rights to variable returns from involvement with the entity; and</p> <p>(c) the ability to use power over the entity to affect the amount of returns received, as determined in accordance with AASB 10 <i>Consolidated Financial Statements</i></p> |
| joint control | The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. |
| joint venture | An arrangement of which 2 or more parties have joint control and have right to the net assets of the arrangement. |
| joint venturer | A party to a joint venture that has joint control of that joint venture. |
| key management personnel or key management person or KMP | <p>Person(s) having authority and responsibility for planning, directing and controlling the activities of Council. Specifically, key management personnel of Council are:</p> <p>(a) the mayor;</p> <p>(b) councillors;</p> <p>(c) the general manager; and</p> <p>(d) the directors of each department.</p> |
| related party | <p>A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.</p> <p>Examples of related parties of Council are:</p> <p>(a) Council subsidiaries;</p> <p>(b) key management personnel;</p> <p>(c) close family members of key management personnel;</p> <p>(d) entities that are controlled or jointly controlled by key management personnel or their close family members.</p> |
| related party transaction | <p>A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.</p> <p><i>Examples of related party transactions are:</i></p> <p>(a) purchases or sales of goods;</p> <p>(b) purchases or sales of property and other assets;</p> <p>(c) rendering or receiving of services;</p> <p>(d) rendering or receiving of goods;</p> <p>(e) leases;</p> <p>(f) transfers under licence agreements;</p> <p>(g) transfers under finance arrangements (example, loans);</p> |
| related party transactions notification or RPT Notification | A document entitled <i>Related Party Transactions Notification provided by Key Management Personnel</i> in the form set out in Attachment A. |
| significant influence | The power to participate in the financial and operating policy decisions of another entity but is not control or joint control of those policies, as determined in accordance with Australian Accounting Standard <i>AASB 128 Investments in Associates and Joint Ventures, paragraphs 3, 5 and 6.</i> |

Related Party Disclosures Policy

AASB 124 Disclosures

For annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified for related party transactions with, amongst others, the following persons during the periods covered by the financial statement:

- Council's key management personnel;
- other related parties, comprising:
 - (i) a close family member of a key management person of Council;
 - (ii) entities controlled or jointly controlled by a key management person of Council;
 - (iii) entities controlled or jointly controlled by a close family member of a key management person of Council,

AASB 124 Disclosed Information

For each category of related party transactions Council will disclose the following information in Council's general purpose financial statements:

- the nature of the related party relationship;
- the amount of the transactions;
- the amount of outstanding balances, including commitments, and:
 - (i) their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement; and
 - (ii) 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.

AASB 124 In Aggregate or Separate

For each related party category, Council will disclose information for related party transactions of a similar nature in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of Council, having regard to the following criteria:

- the nature of the related party relationship;
- the significance of the transaction (individually or collectively) in terms of size or value (including where the materiality arises due to the fact that no consideration for the transaction is given or received by Council);
- whether the transaction is carried out on non-arm's length terms;
- whether the nature of the transaction is outside normal day-to-day business operations,

As a general rule Council will utilise \$10,000 as the threshold of materiality.

Identifying Related Party Transactions with KMPs and their Close Family Members

RPT Notifications

Key Management Personnel (*KMP*) must provide a Related Party Transactions Notification (RPT Notification), in the form set out in Attachment A, notifying any existing or potential related party

Related Party Disclosures Policy

transactions between Council and either themselves, their close family members or entities controlled or jointly controlled by them or any of their close family members, to the General Manager by no later than the following periods during a financial year (specified notification period):

- 30 days after the commencement of the application of this policy;
- 30 days after a KMP commences their term or employment with Council;
- 30 June

RPT Notification Form

At least 30 days before the 30 June notification period, the Director of Corporate Services will provide KMPs with a RPT Notification form.

Additional RPT Notifications

Also, during a financial year, if a KMP knows of:

- any new or potential related party transaction that is required or likely to be required to be disclosed in Council's financial statements; or
- any change to a previously notified related party transaction (including a change to a related party relationship),

the KMP must provide additional RPT Notifications notifying of the new or potential related party transactions or changes, by no later than 30 days after the KMP knows of the transaction or change.

Suspected Related Party Transaction

If a KMP suspects that a transaction may constitute a related party transaction, the KMP should provide a RPT Notification to the General Manager for consideration and determination

Exclusions

The notification requirements in this section do not apply to:

- related party transactions that are ordinary citizen transactions not assessed as being material
- reimbursement of approved expenditures

Other Sources of Information

To ensure all related party transactions are captured and recorded, the Chief Financial Officer may review other sources of information held by Council including, without limitation:

- a register of interests of a KMP and of persons related to the KMP;
- minutes of Council and Committee meetings.

Manual Investigation and Recording of Information

For notified related party transactions that are not captured by Council's computerised business systems, the Chief Financial Officer will manually review the transactional documentation and record the information in the register of related party transactions.

Ordinary Citizen Transactions

Non-material in Nature

A KMP is not required to notify in a RPT Notification and Council will not disclose in its financial statements, related party transactions that are ordinary citizen transactions assessed to be not material in nature.

Material in Nature

A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements in accordance with related party transactions that are ordinary citizen transactions assessed to be material in nature.

Materiality Assessment

The Chief Financial Officer will review and assess the materiality of related party transactions that are ordinary citizen transactions to determine whether the disclosure of such transactions are necessary for an understanding of the effects of the related party transactions on the financial statements.

As a general rule Council will utilise \$10,000 as the threshold of materiality.

Register of Related Party Transactions

Maintain a Register

The Chief Financial Officer must maintain and keep up to date a register of related party transactions (including ordinary citizen transaction assessed as being material in nature) during a financial year.

Contents of Register

The contents of the register of related party transactions must detail for each related party transaction:

- the description of the related party transaction;
- the name of the related party;
- the nature of the related party's relationship with Council;
- whether the notified related party transaction is existing or potential;
- a description of the transactional documents the subject of the related party transaction;

Review

This policy will be reviewed every four years unless otherwise directed by the Executive Team.

Contact

Enquiries should be directed to the Chief Financial Officer on 9978 4011.

Amendments

| Date | Amendment | Reference |
|------|-----------|-----------|
| | | |

Mosman Council
Related Party Transactions
Notification by Key Management Personnel

Name of Key Management Person:.....

Position of Key Management Person:.....

Details of each related party transaction with Council by me, or a close member of my family, or an entity related to me or a close member of my family:

1. Has previously entered into and which will continue in the 2016/17 financial year, or
2. Has entered into, or is likely to enter into, in the 2016/17 financial year.

| <u>Description of Related Party Transaction</u> | <u>Is transaction existing/potential</u> | <u>Related Party's Name (Individual's or Entity's name)</u> | <u>Details of Relationship</u> | <u>Description of Transaction Documents or Changes to the Related Party Relationship</u> |
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Notification

I hereby notify and declare that, to the best of my knowledge, information and belief, as at the date of this notification, the above list includes all existing and potential related party transactions with Council involving myself, close members of my family, or entities controlled of jointly controlled by me or close members of my family, relevant to the 2016/17 financial year.

Signature: _____ Date: _____

