



STATUTORY POLICY  
**MOUNT ISA CITY COUNCIL**  
**Related Party Disclosure Policy**

RESOLUTION NO. **OM25/03/18** VERSION **V3**

**APPLIES TO STATUTORY POLICIES ONLY**

This an official copy of the **Related Party Disclosure Policy**, made in accordance with the provisions of *Local Government Act and Regulations, Public Records Act, Mount Isa City Council's Local Laws, Subordinate Local Laws and current Council Policies.*

Statutory Policies comply with a legislative requirement; the **Replated Party Disclosure Policy** is approved by the Mount Isa City Council for the operations and procedures of Council.

.....  
 Sharon Ibardolaza  
**Chief Executive Officer**

| DOCUMENT VERSION CONTROL |            |                       |  |                     |   |
|--------------------------|------------|-----------------------|--|---------------------|---|
| I/R                      | 1120131    | FILE                  | 1208 Policy Register   | POLICY TYPE         | Statutory (Council)   |
| VERSION                  | DATE       | RESOLUTION NO.        | DETAILS  |                     |   |
| V1                       | 10.08.2016 | OM13/08/16<br>Adopted | <b>Responsible Officer</b><br>Manager Finance & Administration<br><b>Description</b><br>Document Creation – New Document |                     |   |
| V2                       | 28.06.2017 | OM13/06/17<br>Amended | <b>Responsible Officer</b><br>Manager Corporate & Financial Services<br><b>Description</b><br>Document Revision          |                     |   |
| V3                       | 28.03.2018 | OM25/03/18<br>Amended | <b>Responsible Officer</b><br>Manager Corporate & Financial Services<br><b>Description</b><br>Document Revision          |                     |   |
|                          |            |                       |  | <b>REVIEW DUE</b>   | 06/2019<br><i>Review by Council</i>   |
|                          |            |                       |  | <b>EXTINGUISHED</b> | 00.00.0000<br>Resolution No: OM00/00/00<br><i>No further action required.</i> |



## 1. PURPOSE

The Related Party Disclosure Policy aims to assist Council in complying with disclosure requirements concerning key management personnel, their close family members and entities controlled or jointly controlled by any of them stipulated under the Australian Accounting Standard AASB 124 Related Party Disclosures and the Australian implementation guidance for not-for-profit public sector entities (AASB 124).

## 2. COMMENCEMENT

The Mount Isa City Council Related Party Disclosure Policy will take effect following adoption at Council's Ordinary Meeting on **28.03.2018**.

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 subparagraphs (1) and (2) 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.

## 3. APPLICATION

This policy covers Mount Isa City Council and its controlled entities Mount Isa City Council Owned Enterprises (MIETV) and Outback at Isa.

The objective of the policy is 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, the Information Privacy Act 2009 and the Right to Information Act 2009.

*Local Government Regulation 2012*, section 177, requires Council to prepare its general purpose financial statements in compliance with, all relevant, Australian Accounting Standards including AASB 124 Related Party Disclosures.

### **AASB 124 DISCLOSURE REQUIREMENTS**

- (1) (Disclosures) Relevant to this policy, to comply with the AASB 124, for annual periods beginning on or after 1 July 2016, Council will disclose in its general purpose financial statements the information specified in section 3(2) for related party transactions with,



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amongst others, the following persons during the periods covered by the financial statement:

- (a) Council's key management personnel;
  - (b) 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,
- (2) (Disclosed Information) For each category of related party transactions specified in section 3(1), Council will disclose the following information in Councils' general purpose financial statements:
- (a) the nature of the related party relationship;
  - (b) the amount of the transactions;
  - (c) 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;
  - (d) provisions for doubtful debts related to the amount of outstanding balances;
  - (e) total remuneration paid to Key Management Personnel; and
  - (f) the expense recognised during the period in respect of bad or doubtful debts due from related parties.
- (3) (In Aggregate or Separate) For each related party category specified in section 3(1), Council will disclose information specified in section 3(2) 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:
- (a) the nature of the related party relationship;
  - (b) 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);
  - (c) whether the transaction is carried out on non-arm's length terms;
  - (d) whether the nature of the transaction is outside normal day-to-day business operations,



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- (e) based on the factors and thresholds adopted by Council as set out below.

**Relevant Thresholds & Factors to be considered**

Council will disclose all Ordinary citizen transactions (OCTs) with related parties where terms and conditions differ from normal practice as these could be considered material in nature. No other Ordinary citizen transactions will be disclosed.

Council will disclose all related party transactions other than OCT's above a threshold of \$10,000. This threshold will apply to the aggregate of all transactions for the financial year.

**IDENTIFYING RELATED PARTY TRANSACTIONS WITH KMPs AND THEIR CLOSE FAMILY MEMBERS**

- (4) (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 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, subject to section 3(9), to the Chief Executive Officer by no later than the following periods during a financial year (specified notification period):

- (a) 30 days after the adoption of this policy;
- (b) 30 days after a KMP commences their term or employment with Council;

- (5) (RPT Notification Form) At least 30 days before a specified notification period the Chief Executive Officer or delegate, will provide KMPs with a RPT Notification form and a Privacy Collection Notice as set out in Attachment B. It is the responsibility of KMP to ensure the notification is completed and returned within the policy timeframes. If no response is received, Council will assume there is no change to the last made RPT notification.

- (6) (Additional RPT Notifications) Also, during a financial year, if a KMP knows of:

- (a) any new or potential related party transaction that is required or likely to be required to be disclosed in Council's financial statements e.g. a key management person's business commences trading with Council; or
- (b) any change to a previously notified related party transaction (including a change to a related party relationship) e.g. a key management person disposes of a business currently trading with Council;

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.

- (7) (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 Chief Executive Officer for consideration and determination.

- (8) (Other Notifications) The notification requirements in section 6 are in addition to the notifications a KMP must make to comply with:

- (a) for councillors, sections 172 and 173 of the Local Government Act in relation to material personal interests and conflicts of interest; and



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- (b) for the CEO and other senior executive officers who are KMPs, the Employee Code of Conduct; and
  - (c) the recording of interests in a register of interests kept under the Local Government Regulation 2012.
- (9) (Exclusions) The notification requirements in this section do not apply to:
- (a) related party transactions that are ordinary citizen transactions e.g. paying of rates to Council, and are not assessed as being material; and
  - (b) for councillors, expenses incurred and facilities provided to a councillor during the financial year, under Council's Councillors Expenses Reimbursement Policy, the particulars of which are contained in Council's annual report pursuant to the Local Government Regulation, section 186.
- (10) (Digital Extraction) The Manager Corporate & Financial Services or delegate will digitally identify and extract information specified in section 3(2) against each notified related party transaction in Council's computerised business systems for the purpose of recording the related party transactions and associated information in the register of related party transactions.
- (11) (Other Sources of Information) To ensure all related party transactions are captured and recorded, the Manager Finance & Administration may request the Chief Executive Officer review other sources of information held by Council including, without limitation:
- (a) a register of interests of a KMP and of persons related to the KMP;
  - (b) minutes of Council and committee meetings.
- (12) (Manual Investigation and Recording of Information) For notified related party transactions that are not captured by Council's computerised business systems, the Chief Executive Officer will manually review the transactional documentation and record the information specified in section 3(2) for the subject transaction in the register of related party transactions.

**ORDINARY CITIZEN TRANSACTIONS**

- (13) (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.
- (14) (Material in Nature) A KMP is required to notify in a RPT Notification, and Council will disclose in its financial statements in accordance with section 0, related party transactions that are ordinary citizen transactions assessed to be material in nature.
- (15) (Materiality Assessment) The Chief Executive 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, having regard to the criteria specified in section 3(3).



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- (16) (Digital Extraction) The Manager Finance & Administration or delegate will digitally identify and extract information specified in section 3(2) against each notified related party transaction that is an ordinary citizen transaction assessed as being material in nature in Council's computerised business systems for the purpose of recording the related party transactions and associated information in a register of related party transactions.

**REGISTER OF RELATED PARTY TRANSACTIONS**

- (17) (Maintain a Register) The Chief Executive Officer or delegate must maintain and keep up to date a register of related party transactions that captures and records the information specified in section 3(2) for each existing or potential related party transaction<sup>1</sup> (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:
- (a) the description of the related party transaction;
  - (b) the name of the related party;
  - (c) the nature of the related party's relationship with Council;
  - (d) whether the notified related party transaction is existing or potential;
  - (e) a description of the transactional documents the subject of the related party transaction;
  - (f) the information specified in section 3(2).
- (18) The Chief Executive Officer is responsible for ensuring that the information specified in section 3(2) is disclosed in Council's financial statements to the extent, and in the manner, stipulated by the AASB 124, subject to section 3(3).

**INFORMATION PRIVACY**

- (19) (Confidential) The following information is classified as confidential, and is not available for inspection by or disclosure to the public, including through a Right to Information (RTI) application:
- (a) information (including personal information) provided by a key management person in a RPT Notification; and
  - (b) personal information contained in a register of related party transactions.
- (When Consent Required) Except as specified in this policy, Council and other permitted recipients will not use or disclose personal information provided in a RPT Notification by a KMP or contained in a register of related party transactions, for any other purpose or to any other person except with the prior written consent of the subject KMP.
- (20) (Permitted Recipients) The following persons are permitted to access, use and disclose the information (including personal information) provided in a RPT Notification or



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contained in a register of related party transactions for the purposes specified in section 3(21):

- (a) a councillor;
  - (b) the chief executive officer;
  - (c) the Manager Corporate & Financial Services or Director Corporate & Financial Services responsible for the preparation of financial reporting;
  - (d) financial officers within Council's unit of administration responsible for the preparation of financial reporting authorised by the Manager Corporate & Financial Services or Director Corporate & Financial Services;
  - (e) members of Council's audit committee;
  - (f) an Internal Auditor of Council;
  - (g) an external auditor of Council including an external auditor appointed by or of the Queensland Audit Office.
- (21) (Permitted Purposes) A person specified in section 3(20) may access, use and disclose information (including personal information) in a RPT Notification or contained in a register of related party transactions for the following purposes:
- (a) to assess and verify a notified related party transaction;
  - (b) to reconcile identified related party transactions against those notified in a RPT Notification or contained in a register of related party transactions;
  - (c) to comply with the disclosure requirements of the AASB 124;
  - (d) to verify compliance with the disclosure requirements of the AASB 124.
- (22) An individual may access their personal information provided by a KMP in a RPT Notification or contained in a register of related party transactions in accordance with Council's Information Privacy Policy.

**RIGHT TO INFORMATION STATUS**

- (23) (No Public Inspection) The following documents are not open to or available for inspection by the public:
- (a) RPT Notifications provided by a KMP; and
  - (b) a register of related party transactions.
- (24) (Not RTI-accessible) A RTI application seeking access to or release of:
- (a) a document or information (including personal information) provided by a KMP in a RPT Notification; or
  - (b) personal information contained in a register of related party transactions;

will be refused on the grounds the document or information comprises information the disclosure of which would, on balance, be contrary to the public interest under



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sections 48 and 49 of the Right to Information Act, item 8 of schedule 3 and items 2, 3 and 16 of part 3, schedule 4.

- (25) (Transactional Documentation) A RTI application seeking access to and release of transactional information and documentation the subject of a related party transaction with Council will be considered, assessed and decided in accordance with Council's usual procedures regarding applications made under the Right to Information Act.





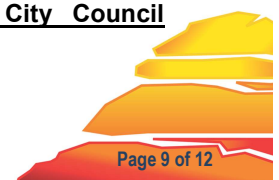
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**DEFINITIONS**

Each of the following expressions in bold to the left bears the meaning shown opposite:

|  |   |
|--|---|
| <u><b>arm's length terms</b></u>                                       | Terms between parties that are reasonable in the circumstances of the transaction that would result from:<br>(a) neither party bearing the other any special duty or obligation; and<br>(b) the parties being unrelated and uninfluenced by the other; and<br>(c) each party having acted in its own interest.  |
| <u><b>associate</b></u>  | In relation to an entity ( <b>the first entity</b> ), an entity over which the first entity has significant influence.  |
| <u><b>close family members or close members of the family</b></u>      | 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:<br>(a) that person's children and spouse or domestic partner;<br>(b) children of that person's spouse or domestic partner; and<br>(c) dependants of that person or that person's spouse or domestic partner.<br><br>For the purpose of the AASB 124, close family members could include extended members of a family (such as, without limitation, parents, siblings, grandparents, uncles/aunts or cousins) <i>if</i> they could be expected to influence, or be influenced by, the key management person in their dealings with Council. |
| <u><b>control</b></u>  | Control of an entity is present when there is:<br>(a) power over the entity; and<br>(b) exposure or rights to variable returns from involvement with the entity; and<br>(c) the ability to use power over the entity to affect the amount of returns received,<br>as determined in accordance with AASB 10 <i>Consolidated Financial Statements, paragraphs 5 to 18, and Appendices A (Defined Terms) and B (Application Guidance)</i> .  |
| <u><b>joint control</b></u>  | 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.   |
| <u><b>joint venture</b></u>  | An arrangement of which 2 or more parties have joint control and have right to the net assets of the arrangement.   |
| <u><b>joint venturer</b></u>   | A party to a joint venture that has joint control of that joint venture.  |
| <u><b>key management personnel or key management person or KMP</b></u> | Person(s) having authority and responsibility for planning, directing and controlling the activities of Council or its controlled entities.<br><b><u>Specifically, key management personnel of Council are:</u></b><br>(a) the mayor;<br>(b) councillors;<br>(c) the chief executive officer;<br>(d) the deputy chief executive officer;<br>(e) the directors<br><b><u>Specifically, key management personnel of Council's Controlled entities (currently Mount Isa City Council Owned Enterprises &amp; Outback at Isa) are:</u></b><br>a) the Board members<br>b) the Business Manager  |





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*Ordinary citizen transactions*

Transactions that an ordinary citizen would undertake with Council, which is undertaken on arm's length terms and in the ordinary course of carrying out Council's functions and activities.

*Examples* of ordinary citizen transactions assessed to be not material in nature are:

- (a) paying rates and utility charges;
- (b) using Council's public facilities after paying the corresponding fees.

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*related party*

A person or entity that is related to Council pursuant to the definition contained in the AASB 124, paragraph 9.

*Examples* of related parties of Council are:

- (a) Council controlled entities e.g. Mount Isa City Council Owned Enterprises and Outback at Isa.
- (b) key management personnel;
- (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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*related party transaction*

A transfer of resources, services or obligations between the Council and a related party, regardless of whether a price is charged.

*Examples* of related party transactions are:

- (a) purchases or sales of goods;
- (b) purchases or sales of property and other assets;
- (c) rendering or receiving of services;
- (d) rendering or receiving of goods;
- (e) leases;
- (f) transfers under licence agreements;
- (g) transfers under finance arrangements (example, loans);  
*Note: Financial arrangements are subject to the Statutory Bodies Financial Arrangements Act 1982*
- (h) provision of guarantees (given or received);  
*Note: Guarantees are financial arrangements that are subject to the Statutory Bodies Financial Arrangements Act 1982.*
- (i) commitments to do something if a particular event occurs or does not occur in the future;
- (j) settlement of liabilities on behalf of Council or by Council on behalf of that related party.

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*related party transactions notification or RPT Notification*

A document entitled *Related Party Transactions Notification provided by Key Management Personnel* in the form set out in Attachment A.

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*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 *AASB 128 Investments in Associates and Joint Ventures, paragraphs 3, 5 and 6.*



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**LEGISLATIVE REFERENCE**

*Local Government Act 2009 and Local Government Regulation 2012*

*Accounting Standard AASB 124 Related Party Disclosures*

*Information Privacy Act 2009*

*Right to Information Act 2009*

**RELATED POLICIES/PROCEDURES**

Sections 172 (Councillor's Material Personal Interests at a meeting) and 173 (Councillor's Conflict of Interest at a meeting), *Local Government Act 2009*  
Employee Code of Conduct  
Register of Interests

**REVIEW**

Mount Isa City Council reserves the right to vary this policy at any time.



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**DECLARATION OF UNDERSTANDING**

Please complete the declaration below. Once signed, the page should be returned to the Human Resources section.

I, the undersigned acknowledge:

- Receiving Council's Reimbursement of Expenses and Provision of Facilities for the Mayor and Councillors Policy; and
- That I should comply with the Policy; and
- That there may be disciplinary consequences if I fail to comply.

Workplace Participant Name: \_\_\_\_\_ Date: \_\_\_\_\_

Workplace Participant Signature: \_\_\_\_\_

