2A. AASB 124 *Related Party Disclosures*

Illustrative examples for when Key Management Personnel (KMP) declaration of related party transactions would be required

Related party relationships

| Scenario | KMP | Related party | Whether information is required to be declared | Declaration required? | Information for KMP to disclose in their declaration checklist |
| --- | --- | --- | --- | --- | --- |
| CEO’s sister is employed as a nurse at the Royal Children’s Hospital | CEO of the Royal Children’s Hospital | Sister | The CEO’s sister is not in a senior position (i.e. an executive) that has decision-making responsibility.  No perceived ability for this relationship to influence transactions between the public hospital and the agency. | No | None. |
| Deputy Secretary’s son is a tax partner of a large accounting firm providing PPP advisory services to DET. | Deputy Secretary of DET | Firm where son is a partner | The Deputy Secretary’s son is a tax partner in a large firm with multiple partners and does not have any influence on his firm for the provision of PPP advisory services.  No perceived ability for this relationship to influence transactions between the accounting firm and the department. | No | None. |
| Cabinet Minister’s wife has been appointed Secretary of another department (DTF). | Cabinet Minister (who is Portfolio Minister of DHHS) | Wife | The Minister’s wife is in a senior (executive) position with decision-making responsibility for a department.  Perceived ability to influence or be influenced in her appointment.  Perceived ability to influence transactions by the existence of this relationship. | Yes | The KMP would need to declare any involvement he may have had in his wife’s appointment.  He would also need to declare the nature of the amount and terms and conditions of any transactions influenced by the existence of this related party relationship. |
| Portfolio Minister’s brother-in-law is a board member of a PNFC entity within his portfolio. | Portfolio Minister | Brother-in-law | While not considered a close family member, regard must be given to other family relationships that may be expected to influence, or be influenced by, the KMP’s decisions.  The Minister would need to consider whether there is the ability for his brother-in-law to influence, or be influenced, by the Minister’s decisions. The rebuttable presumption is that the ability to influence exists. |  |  |
| **Scenario A** – the Minister is estranged from his brother-in-law or is unaware of his position as a board member |  |  | There is no actual or perceived ability to influence transactions by the existence of this related party relationship. | No | None. |
| **Scenario B** – the Minister has a relationship with his brother-in-law and is aware of his position as a board member |  |  | There may be a perceived ability to influence transactions by the existence of this related party relationship.   * + - 1. There are no transactions or the Minister has not been involved in any funding decisions for the PNFC entity.       2. There are transactions that may be perceived as being influenced by this related party relationship. | No    Yes | None.    The Minister would need to declare the nature, amount and terms and conditions of any transactions influenced by the existence of this related party relationship. |

Related party transactions

#### For transactions or contracts on standard terms and conditions of the State, KMPs may apply a threshold of $100 000 to exclude those transactions with a total contract value that is less than the threshold. However, KMPs may choose to declare all transactions.

**For contracts or agreements on** non-standard (varied or negotiated) terms or conditions**, KMPs would be required to declare all transactions, regardless of the financial amount**

| Scenario | KMP | Related party | Whether information is required to be declared | Declaration required? | Information for KMP to disclose in their declaration checklist |
| --- | --- | --- | --- | --- | --- |
| Chairman’s daughter receives a student allowance. | Chairman of the Board of a public sector entity | Daughter | Transactions that are typical citizen transactions are excluded from disclosure. | No | None. |
| Deputy Secretary’s son’s company (XYZ Ltd) has a contract to provide web design services to DEDJTR. | Deputy Secretary of DEDJTR | XYZ Ltd. | The Deputy Secretary would need to consider where there is the ability for his son to influence, or be influenced by, the Deputy Secretary’s decisions. The rebuttable presumption is that the ability to influence exists.  Scenarios A to C below are variations to this example to demonstrate when declaration would be required. | | |
| **Scenario A:**the son is a junior employee of the company. | Deputy Secretary of DEDJTR | XYZ Ltd. | The Deputy Secretary’s son is not in a position to influence/direct the activities of the company.  No perceived ability for this relationship to influence transactions. | No | None. |
| **Scenario B:**the son is a HR Executive of the company. | Deputy Secretary of DEDJTR | XYZ Ltd. | The Deputy Secretary’s son is in a senior position within the HR department, but has no influence over the web design services provided to the department.  There is no perceived ability for this relationship to influence transactions between the company and the department. | No | None. |
| **Scenario C:**the son owns the company. | Deputy Secretary of DEDJTR | XYZ Ltd. | The Deputy Secretary’s son has control to direct or influence the activities of the company.  Perceived ability for this relationship to influence transactions between the company and the department. | Yes | The KMP would need to declare:   * the terms and conditions of the contract * the total value of transactions incurred and amounts outstanding in the current period; and * any amounts committed for future periods. |
| Minister’s daughter-in-law’s company (RST Ltd) provides IT equipment to DTF. | Portfolio Minister of DELWP and also member of Cabinet | RST Ltd. | While not considered a direct family member, regard must be given to other family relationships that may be expected to influence, or be influenced by, the KMP’s decisions.  In this example the Minister’s daughter-in-law can direct or influence the activities of the company, therefore there is a perceived ability for this relationship to influence transactions.  Scenarios A and B below are variations to the nature of the contract negotiated in this example to demonstrate when declaration would be required. | | |
| **Scenario A:** theIT equipment is provided under a standard contract of $60 000 for a term of 3 years. | Portfolio Minister of DELWP and also member of Cabinet | RST Ltd. | The Minister has opted to apply the disclosure threshold of $100 000 as the contract has standard terms and conditions of the State, and the total contract value of $60 000 is below the $100 000 threshold.  **Note** that the minister may declare the transaction if he/she wishes. | No | None. |
| **Scenario B:**theIT equipment is provided under non-standard contract terms. | Portfolio Minister of DELWP and also member of Cabinet | RST Ltd. | Varied/negotiated terms that are more favourable then would be generally contracted with other suppliers.  Perceived advantage in acquiring contract due to the existence of this related party relationship.  No threshold applies – disclosure is required for all such contracts regardless of the financial amounts. | Yes | The KMP would need to declare:   * the terms and conditions of the contract * the total value of transactions incurred and amounts outstanding in the current period; and * any amounts committed for future periods. |