AASB 124 *Related Party Disclosures*

# Guidance to support key management personnel (KMP) in discussing with close family members in requesting information on related party transactions for declaration

### Background

As part of the annual financial reporting process, the accounting standard setters now require me to disclose whether I, or my close family members, have any dealings, and hence related party transactions, with the entity that I am a KMP of, or any entity controlled by that entity. Private citizen transactions such as paying State taxes and duties, receiving social welfare benefits, public health benefits, and education or student allowances on terms that are no different to those generally available to citizens, are not required to be declared.

The purpose of this declaration is to provide an audit trail and enable management of these entities to assess whether any disclosures are required in the financial reports. This is to allow users of those reports to assess the extent to which the entity’s financial position and results may have been affected by the existence of such related party transactions.

This responsibility is no different to any directors of large privately owned or listed companies.

### Questions to determine what may need to be declared

#### Relationships and employment

In this context, I am required to declare:

* 1. any appointment of my close family members in a senior position of any entity that transacts with the entity that I am a KMP of. A senior position is a position that has decision making responsibility of a KMP of an entity; and
  2. any other relationships or transactions that I, or any of my close family members have, with the entity that I am a KMP of, or any entity controlled by the entity I am a KMP of (as outlined below).

#### Types of related party transactions

The types of transactions that are captured include:

* provision or purchase of goods and services, including assets such as land and buildings;
* loans and borrowings to or from the entity that I am a KMP of, or any entity controlled by the entity that I am a KMP of;
* equity contribution or investment in your business entity(ies);
* collateral, indemnity or guarantee received from or given to the entity that I am a KMP of, or any entity controlled by the entity that I am a KMP of;
* debts forgiven or partially forgiven or settlement of a liability of you or your business entity(ies);
* receipt of any ex-gratia payments or grants/subsidies in excess of $5 000; and
* receipt of any interest income from or payment of interest to the entity that I am a KMP of, or any entity controlled by the entity that I am a KMP of.

Where there are transactions for declaration, I also have to provide specific details of the transactions. This includes:

* the name of the related person or their business name;
* details of the transaction (i.e. nature of the transaction), for example, the provision of consulting services or provision of IT hardware;
* the total contractual value of the transaction and the amount transacted for the relevant financial year;
* the outstanding balances at the end of the reporting financial year; and
* the terms and conditions related to the transaction, for example, is it on the standard procurement terms of the State, or details of the terms varied/negotiated, open/selective/invited tender or unsolicited.

Any declarations I make in my declaration certificate about these related party transactions will be kept in accordance with the *Privacy and Data Protection Act 2014*.

### What disclosure may be required and how will it be disclosed?

Any information I collect that discloses a significant related party transaction will be collated to form part of the relevant department’s/portfolio agency’s consideration for possible disclosure in financial statements, which will be tabled in Parliament.

It should be noted that in most instances, where the transactions are not considered to be **unusual or significant in dollar terms, management may disclose the transactions in aggregate, if material**. In such instances, the transaction will be de-identified and disclosed in aggregate for inclusion in the financial report of the relevant entity.

In circumstances where the specific transaction is significantly material or unusual in nature, the nature of the transaction, the amount and terms and conditions would need to be disclosed separately (where relevant).

Prior to finalisation of the proposed disclosure in the financial report, I would have the opportunity to review the information and the proposed disclosure.

### Access to the information and where to go for further information

The information will be collected in accordance with the *Privacy and Data Protection Act 2014*. All departments and portfolio agencies will be required by law to protect the information declared. As a result, I am required to provide you with this Privacy Fact Sheet so you are aware of your rights as described in the *Privacy and Data Protection Act 2014*. If you need any further information, please contact the Privacy Officer within the <insert relevant department or portfolio agency>.

If you need to access or correct the information you have provided me, please let me know so that I can access and correct the information declared.