3A. What information will be reported in public sector reports?

AASB 124 *Related Party Disclosures* only require the disclosure of material related party transactions and outstanding balances. Materiality is subject to professional judgement and goes beyond the dollar value of the transaction or balance.

**However, it is important to note that all KMP need to disclose all relevant related party transactions, noting that typical citizentransactions are not required to be declared. This provides the required evidence (subject to audit) that all relevant information has been made available for the assessment** and also because a transaction that may appear immaterial on its own, may in combination with other like transactions have a material effect on the State’s, department’s or agency’s financial statements and warrants disclosure.

Importantly, **items of a similar nature may be disclosed in aggregate** ***except*** where separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the department or entity i.e. individual transactions that are **unusual in nature** or **significantly material by amount**.

The **aggregated disclosures** must include:

* the nature of the relationships;
* the mature of the services/balances concerned;
* the total amounts/balances involved.

The **individual disclosures** are a matter of management and auditor judgement in the context of respective reporting entity financial reports, and the size and nature of the transaction involved. **Such transactions will generally not be usual business and are large or significant in amount in relation to the entity’s operations, and therefore not expected to be frequent.**

Examples of related party disclosures in private sector entity financial reports follow, as well as some potential public sector disclosures.

# Examples of publicly listed companies related party disclosures

### Fortescue Metals Group Ltd

#### Guarantees issued p. 98

During the financial year ended 30 June 2012, the Minderoo Group Pty Ltd (formerly The Metal Group Pty Ltd), an entity controlled by the Chairman, provided assistance by way of guarantee to certain of Fortescue’s executives to purchase the Company’s shares. US$985 thousand expense was recognised during the year ended 30 June 2015 in relation to the agreement. The agreement concluded during the year ended 30 June 2015.

### BHP Billiton Limited

#### Transactions with personally related entities p. 194

A number of Directors of the Group hold or have held positions in other companies (personally related entities) where it is considered they control or significantly influence the financial or operating policies of these entities. There were no transactions with those entities and no amounts were owed by the Group to personally owned entities at 30 June 2016 (2015: US$ nil; 2014: US$ nil)

### Westpac Banking Corporation

#### Financial transactions with Directors and other key management personnel disclosures p. 242

All financial instrument transactions that have occurred during the financial year between the Directors or other key management personnel and the Group are in the ordinary course of business on normal terms and conditions (including interest and collateral) as apply for comparable transactions with other persons including employees and did not involve more than normal risk of repayment or present other unfavourable features. These transactions comprise principally of normal personal banking and financial investment services.

Details of loans to Directors and other key management personal (including their related parties) of the Group are:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| $ | Balance at start of year | Interest paid and payable for the year | Interest not charged | Balance at end of year | Number in group at end of year |
| 2015 | 18 442 040 | 867 564 | – | 15 445 388 | 10 |
| 2014 | 14 837 949 | 884 631 | – | 18 442 040 | 10 |

### Australia and New Zealand Banking Group Limited

#### Other transactions of key management personnel and their related parties p. 164

All other transactions with KMP and their related parties are made on terms equivalent for those that prevail in arm’s length transactions. These transactions generally involve the provision of financial and investment services including services to eligible international assignees ensuring they are neither financially advantaged nor disadvantaged by their relocation. All such transactions that have occurred with KMP and their related parties have been trivial or domestic in nature. In this context, transactions are only disclosed when they are considered of interest to the users of the financial report in making and evaluation decisions about the allocation of scarce resources.

### Brambles Limited

#### Related party information p. 76Other transactions

Other transactions entered into during the year with Directors of Brambles Limited; with Director-related entities; with Key Management Personnel; or with KMP-related entities were on terms and conditions no more favourable than those available to other employees, customers or suppliers and include transactions in respect of the employee share option plans, contracts of employment and reimbursement of expenses. Any other transactions were trivial or domestic in nature.

#### Other related parties

A subsidiary has a non-interest bearing advance outstanding as at 30 June 2016 of YS$1 054 000 (2015: US$1 095 000) to Brambles Custodians Pty Limited, the trustee under Brambles’ employee loan scheme. This scheme enabled employees to acquire shares in BIL and has been closed to new entrants since August 2002.

### Blackmores Limited

#### Related party and key management personnel disclosures p. 95Other related party transactions

During the financial year ended 30 June 2016, the following transactions occurred between the Group and its other related parties:

Galileo Kaleidoscope Pty Ltd, a company of which Brent Wallace is a Director, performed certain consulting services for the Company for which fees of $100 675 (2015: $259 246) were charged.

# Potential disclosures for inclusion in the draft *Model Report for Victorian Government Departments*

### Note X. Related party transactions

The department is a wholly owned and controlled entity of the State of Victoria.

Related parties of the department include:

* all key management personnel, their close family members and business interests (controlled entities, joint ventures and entities they have significant influence over);
* all cabinet ministers and their close family members; and
* all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm’s length basis.

### **K**ey management personnel

Key management personnel of the department include the Portfolio Minister, the Secretary, Deputy Secretary and members of the Executive Team. The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister’s remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Service’s Financial Report.

|  |  |
| --- | --- |
| Compensation | 2017 ($’000) |
| Salaries and other short term employee benefits |  |
| Post-employment benefits |  |
| Other long-term employment benefits  |  |
| Termination benefits |  |
| Board member fees |  |
| **Total key management personnel compensation** |  |

### Transactions with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further, employment processes within the Victorian public sector occur on terms and conditions consistent with *the Public Administration Act 2004* and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the department, there were no related party transactions that involved key management personnel and their close family members. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

### Example of specific disclosure note

During the year, a company of which John King MP, the Portfolio minister for the Department of Education and Training is a Director, was awarded a contract under the selective tender process on terms and conditions equivalent for those that prevail in arm’s length transactions under the State’s procurement process. The transaction involved the provision of IT support services to support the migration of the department’s general ledger to a new platform with a total value of $100 million over five years.

All other transactions that have occurred with KMP and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the department’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.

### Example of aggregated disclosure note

During the year, related parties of key management personnel were awarded contracts on terms and conditions equivalent for those that prevail in arm’s length transactions under the State’s procurement process. The transactions involved the provision of consultancy, legal, IT and general support services with an aggregated value of $10 million.

All other transactions that have occurred with KMP and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the department’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.