

## **RELATED PARTY DISCLOSURES DATA COLLECTION FROM KEY MANAGEMENT PERSONNEL OF ACT GOVERNMENT CONTROLLED ENTITIES**

### **AAGP 201 – GUIDANCE FOR DIRECTORS-GENERAL AND CHIEF EXECUTIVE OFFICERS – DESIGNATING STAFF AS KEY MANAGEMENT PERSONNEL**

#### **PURPOSE**

This Guidance provides assistance to Directors-General and Chief Executive Officers in designating Executives and other staff within their relevant ACT Government entities, as Key Management Personnel (KMP).

#### **BACKGROUND**

The Australian Accounting Standards Board (AASB) has amended the scope of AASB 124 *Related Party Disclosures* (the Standard) to include related party disclosures for not-for-profit public sector entities. The main purpose of the Standard is to ensure that financial statements of entities contain disclosures necessary to draw attention to the possibility that its financial results may have been affected by the existence of related party transactions.

The new requirements apply to reporting periods beginning on or after 1 July 2016 (i.e. beginning from the 2016-17 financial year). The requirements are being implemented on a voluntary basis in the Territory with the consent of staff and, where relevant, their families.

Primarily, the Standard requires disclosure of summarised details about Key Management Personnel (KMP) remuneration, and certain transactions with related parties, in public sector entities' financial statements.

Not all information collected is expected to be disclosed in the relevant entity's financial statements. In some circumstances, the disclosures, if material, may be made public in the entity's annual financial statements.

#### **RELATIONSHIPS**

Under the provisions of the Standard a person or a close member of that person's family is related to the reporting entity if that person:

- has control or joint control of the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the Key Management Personnel (KMP) of the reporting entity or parent of the reporting entity.

## **KEY MANAGEMENT PERSONNEL (KMP)**

The Standard defines KMP as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

On the basis of the above definition, Directors-General, Chief Executive Officers and Officers of the Assembly are KMP of the relevant ACT Government controlled entity/ entities under their responsibility. Also, Governing Boards of territory authorities are KMP of their relevant territory authority.

In some situations other Executives or other staff may be assessed to fall within the scope of the KMP definition (such as, management boards, executive management committees etc).

Directors-General, Chief Executive Officers or Governing Boards of entities will need to exercise judgement in making this assessment, based on the consideration of the specific facts and circumstances of their entity. The key consideration here will be whether or not the staff has the authority and responsibility for planning, directing and controlling the activities of the reporting entity (the whole entity rather than specific functions), directly or indirectly.

Executives or senior managers that have the delegated operational authority for specific functions of the entity will generally not be considered KMP.

Executives, senior managers or other staff that have operational control in managing specific business units within the reporting entity may be considered KMP of the reporting entity where the business unit is a significant component of the relevant reporting entity. For instance, the Under Treasurer managing the Treasury and Shared Services functions within the Chief Minister, Treasury and Economic Development Directorate (CMTEDD) is likely to be assessed as KMP of CMTEDD. However, the Executive managing Capital Linen Services within the Transport Canberra and City Services Directorate (TCCSD) is not likely to be assessed as KMP of TCCSD, given that Capital Linen Services is only a minor component of TCCSD. In this instance, if the Executive managing Capital linen Services is also part of the Executive Team that is involved with planning, directing and controlling the activities of TCCSD, then this Executive may be assessed as KMP.

Similarly, boards of individual schools are not likely to be assessed as KMP of the Education Directorate.

All ACT Government controlled entities will be required to initially provide details of the staff positions that they propose to designate as their KMP, to Treasury. Treasury will review the proposed KMP positions based on the relevant circumstances and make recommendations as considered appropriate.

This will ensure consistency as much as possible, in the application of the Standard in designating Executives and other staff as KMP, across the ACT Government.

## **COMPENSATION**

The Standard requires disclosure of KMP compensation including short and long-term employee benefits and termination and post-employment benefits, which are or may be payable to KMP in exchange for services rendered to the reporting entity.

Information associated with compensation to Cabinet Ministers, the Head of Service and other staff deemed KMP, will be obtained from within internal ACT Government systems.

## **TRANSACTIONS**

Under the provisions of the Standard, ‘related party transactions’ include provision of goods or services, purchase or sale of property or other assets, leases, receipt/ provision of guarantees (regardless of whether price is charged) between the reporting entity and the related party. For instance, if you are a KMP’s spouse and own a cleaning business which provides cleaning services to an ACT Government controlled entity, the KMP is requested to provide details of this transaction in the Data Collection Form.

Each “related party” transaction is required to be disclosed in terms of its nature, amount, outstanding balances, terms and conditions, and any other information that is necessary to understand the potential effect of the related party transactions on the financial statements of the reporting entity. In considering each “related party” relationship, attention must be given to the substance of the relationship.

For transactions involving the provision of goods or services, purchase or sale of property or other assets and leases, details are requested if the amount of the transaction is greater than or equal to \$10,000 (including GST), unless the transaction is otherwise considered to be significant by nature. All other types of transactions and transactions otherwise significant by nature are to be disclosed even if they are below \$10,000 (including GST). A transaction may be significant by nature where there is potential for influence and potential benefits to related parties.

Typical citizen transactions are not required to be disclosed. Examples of typical citizen transactions include receiving public health/ education services, receiving public housing, paying licence fees etc.

## **DATA COLLECTION ARRANGEMENTS**

A Data Collection Form has been developed to collect the required information from KMP to ensure compliance with this Standard. The provision of information is on a voluntary basis. The information collected will form the basis of the impacted ACT Government controlled entity’s disclosures in relation to related party transactions in its financial statements (which are subject to audit by the ACT Auditor-General). If the information required by the Standard is not provided, this will need to be disclosed in the relevant ACT Government controlled entity’s financial statements. The Audit Office may inquire into the disclosure.

Collection, storage, use and disclosure of information is governed by *the Information Privacy Act 2014*, and the *Freedom of Information Act 1989*. It may be disclosed in whole or in part, individually or collectively, as part of the financial statements of a controlled entity and it may be otherwise disclosed or released as required or authorised by law.

All completed Forms will be collected and held centrally by a designated small team within a designated ACT Government controlled entity. The information will be used by the impacted ACT Government controlled entities for the purposes of preparing disclosures in the notes to their financial statements.

Not all information collected is expected to be disclosed in the relevant entity's financial statements, such as, where it is not considered material for disclosure in the impacted entity's financial statements. Further, items of a similar nature may be aggregated except where separate disclosure is necessary for understanding the effects of related party transactions on the entity's financial statements. While names of family members will be collected, they are not required to be disclosed in the financial statements of the ACT Government controlled entity.

Where information in the draft disclosure can be identified as concerning an individual, they will be given the opportunity to review the disclosure prepared for the financial statement. They may request that the disclosure be corrected, amended or withdrawn. They have the right to request to review the information held by the Territory at any time.

The information provided will be subject to audit by the ACT Auditor-General.