2B. Example scenarios

Identifying a declarable related party transaction under AASB 124 Related Party Disclosures

The diagram below provides examples of when a related party transaction exists that needs to be declared by the Key Management Personnel (KMP). The diagram should be read together with the narrative provided on the next page.

**Key:**

Declarable related party transaction

Not a declarable transaction

Related party relationship exists

**DEPARTMENT B**

**AGENCY X**

**AGENCY Y**

**AGENCY Z**

**Person 3**

**Person 2**

**Company 3C**

**Company 2B**

**Person 1**

**Portfolio AA**

**Portfolio BB**

**DEPARTMENT A**

**Company 1A**

**TRUST**

**Cabinet**

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| Example scenario 1  * **Person 1 is a Cabinet Minister and Portfolio Minister for Portfolio AA.** * **Company 1A is a consulting company solely owned by Person 1’s daughter.**   Person 1 in his capacity as Cabinet Minister: as Cabinet is the principal decision making body of the government, Person 1 is considered a KMP of the State. In addition, all Cabinet ministers are related parties of the State and all its controlled entities, therefore Person 1 is considered a related party of all entities within Portfolio BB.  Person 1 in his capacity as Portfolio Minister: Portfolio ministers are responsible for the oversight of their relevant portfolio departments and entities, therefore Person 1 is considered a KMP of all the entities within his Portfolio AA (this includes Department A, Agency X and Agency Y).  Person 1’s daughter is a close family member of Person 1 under AASB 124.9, and is the sole owner of Company 1A that provides consulting services to Department A in Portfolio AA and Department B in Portfolio BB. As the daughter is a close family member of Person 1 who is a KMP of the State and all its controlled entities, there may be a perception that these transactions can be influenced by this related party relationship. As a result, Person 1 **would need to declare** these related party transactions in their declaration certificate. |
| Example scenario 2  * **Person 2 is a member of the governing board of Agency X.** * **Company 2B is an IT computing company that is jointly owned by Person 2 and his wife.** * **Company 2B provides computer hardware to Agency X, Agency Y and Agency Z.**   As a member of the governing board, Person 2 has responsibility for planning, directing and controlling the activities of Agency X, and therefore is a KMP of the portfolio agency.  Person 2 has joint control over Company 2B that provides computer hardware to Agency X. As Person 2 is a KMP who jointly controls Company 2B with his wife, there may be a perception that these transactions can be influenced by this related party relationship. As a result, Person 2 **would need to declare** these related party transactions in their declaration certificate.  Company 2B also provides computer hardware to Agency Y and Agency Z. As Person 2 is not a KMP of these agencies, Company 2B is not a related party entity of Agency Y and Agency Z. Therefore, Person 2 **would not be required to declare** transactions that Company 2B has with these entities. |
| Example scenario 3  * **Person 3 is the Secretary of Department B.** * **Person 3 is also a member of the governing board of Agency Z.** * **The Trust is controlled by Agency Z and is consolidated into the agency’s financial statements.** * **Company 3C is a design company that Person 3’s son is the CEO of.** * **Company 3C provides printing and design services to Department B and Agency Z.**   Person 3 in his capacity as Secretary of Department B: As a member of the Senior Executive Group of Department B, Person 3 has responsibility for planning, directing and controlling the activities of the entity. Therefore, Person 3 is a KMP of Department B.  Person 3 in his capacity as a member of the governing board of Agency Z: Person 3 is also a member of the governing board of Agency Z and has the responsibility for planning, directing and controlling the activities of the portfolio agency. Therefore Person 3 is also a KMP of Agency Z. As the Trust is controlled by Agency Z and is consolidated into the agency’s financial statements, these two entities are considered to be part of one Group. Person 3 is therefore a KMP of all entities within this Group (Agency Z and the Trust).  Person 3’s son is a close family member of Person 3 under AASB 124.9, and is the CEO of Company 3C that provides printing and design services to Department B and Agency Z. As the son is a close family member of Person 3 who is a KMP, there may be a perception that these transactions can be influenced by this related party relationship. As a result, Person 3 **would need to declare** these related party transactions in their declaration certificates for Department B and Agency Z. |