Identifying Key Management Personnel (KMP) of your entity

# Guidance

AASB 124.9 defines Key Management Personnel (KMP) as those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, i.e. those charged with decision-making responsibilities.

The number of KMPs identified will be driven by an entity's governance structure and how it makes decisions on the entity's operations as a whole.

Generally, the expectation is that KMP of a department would include members of the Executive Board and/or Senior Executive Group as they are the governing body responsible for the delivery of the department’s services and are accountable for:

* the strategic direction and leadership of the department as a whole;
* management of the department as a whole;
* monitoring and evaluation of the department’s activities; and
* compliance and stakeholder management.

Judgement should be applied when determining whether there are any other senior executives that have the authority and responsibility for planning, directing and controlling the activities of the department as a whole.

For executives or senior managers that have been delegated the operational authority for a discrete function of the entity, they will not be considered as KMP for the purposes of AASB 124.

### KMP of section 53 entities

Pursuant to a determination made by the Minister for Finance under section 53(1) of the *Financial Management Act 1994,* entities are included or consolidated into a department's financial statements, in accordance with:

* section 53(1)(a) where the entity's financial statements are included as a separate attachment to the department's own financial reports; or
* section 53(1)(b) where the entity's financial statements are consolidated into the department's financial reports.

**Where an entity’s financial statements is included with the department's financial report under section 53(1)(a)** - regard should be given to identifying relevant executives who meet the definition of KMP for these entities, for inclusion in the respective entity's financial report (i.e. within the section 53(1)(a)’s financial report).

**Where an entity is consolidated in the department's financial report under section 53(1)(b)** - regard should be given to identifying relevant executives who meet the definition of KMP for these entities, to be included as part of the consolidated group/department's financial statements.

The *Model Report* *for Victorian Government Departments* provides an illustrative example of the disclosure in accordance with AASB 124.19, which requires related party information for each consolidated entity to be separately disclosed, **where relevant and material**, in the consolidated entity’s related party transactions note.

### KMP of Administrative Offices

Administrative offices are established and abolished through Orders under section 11 of the *Public Administration Act* *2004* and are considered to be departments in their own right for *Financial Management Act 1994* (FMA) purposes. Under section 45(4) of the FMA, the financial statements of Administrative Offices are required to be incorporated into, and consolidated with, the department's financial statements.

The following are the current Administrative Offices listed on the Victorian Public Sector Commission (VPSC) website (<http://vpsc.vic.gov.au/about-public-sector/register-of-instruments/orders/>):

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| * Environmental Protection Authority * Local Government Investigations and Compliance Inspectorate * Office of the Chief Parliamentary Counsel * Office of the Governor * Public Record Office Victoria * Office of the Victorian Government Architect * Victorian Government Solicitor’s Office | * Safer Care Victoria * Office of Projects Victoria * Latrobe Valley Authority * Western Distributor Authority * North East Link Authority * Level Crossing Removal Authority * Melbourne Metro Rail Authority |

As Administrative Offices are considered to be departments in their own right under the FMA, regard should be given to identifying relevant executives who meet the definition of KMP for these entities.

KMPs of Administrative Offices will be disclosed in accordance with AASB 124.19, which requires related party information for each consolidated entity to be separately disclosed, **where relevant and material**, in the consolidated entity’s related party transactions note.

### Are statutory officers KMP?

Statutory officers (e.g. Governor in Council appointments) have authority under legislation to direct or control the activities of a specified division or function. Typically this division or function will be a cost centre that is part of the department.

Whilst the statutory officer may meet the definition of a KMP for their specified division or function, regard should be given to assessing whether the statutory officer is considered a KMP of the department. This will be a matter of judgement.

Declaration certificates should be collected from all statutory officers for their related party transactions. Management will need to exercise their professional judgement to determine whether the statutory officer’s division/function and relevant related party transactions are considered to be material and significant to the department for disclosure in the financial report.

In performing this assessment, departments should consider whether the statutory officer has the ability to direct activities of a division/function that significantly affects the department's outcomes as a whole i.e. the division/function is material and significant to the department’s overall business and financial outcomes. Note that the statutory officer does not necessarily need to be able to strategically influence all decisions made at the overall department level, to qualify as a KMP of the department.