

CHAPTER THREE

Financial statements

3.9 RELATED PARTY DISCLOSURES

3.9.2 Accounting Requirements

Definitions

3.9.2.7 A **related party** is a person or entity that is related to the entity that is preparing its financial statements (in this section of the Code referred to as the ‘reporting entity’).

- a) A person or a close member of that person’s family is related to a reporting entity if that person:
 - i) has control or joint control over the reporting entity
 - ii) has significant influence over the reporting entity, or
 - iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- b) An entity is related to a reporting entity if any of the following conditions apply:
 - i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - iii) Both entities are joint ventures of the same third party.
 - iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - v) The entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
 - vi) The entity is controlled or jointly controlled by a person identified in a).
 - vii) A person identified in a)i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Disclosure Requirements

3.9.4.1 Having regard to paragraph 3.4.2.26 of the Presentation of Financial Statements section of the Code, authorities shall disclose the following notes in relation to related party disclosures:

- 1) Information in respect of transactions with related parties, not disclosed elsewhere, including:
 - a) the description of the nature of the related party relationships
 - b) the amount of transactions that have occurred
 - c) the amount of outstanding balances, and

Related party relationships where control exists should be disclosed irrespective of whether there have been transactions between the related parties.

3.9.4.2 Amounts incurred by the (reporting) entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

3.9.4.23 Transactions with related parties may be disclosed on an aggregated basis (aggregation of similar transactions by type of related party) unless disclosure of an individual transaction, or connected transactions, is necessary for an understanding of the impact of the transactions on the financial statements of the authority or is required by law.

3.9.4.34 The disclosure requirements of key management personnel under IAS 24 are satisfied by the disclosure requirements for officer remuneration and members' allowances in section 3.4 of the Code.

3.9.4.45 The disclosure requirements of paragraph 3.9.4.1 do not apply to related party transactions with central government departments, government agencies, NHS bodies and other local authorities. Instead, authorities shall disclose:

- 2) The name of the government (ie UK Government, Scottish Government, Welsh Government or Northern Ireland Assembly) and the fact that the government exerts significant influence through legislation and grant funding.
- 3) The following information in sufficient detail to enable users of the reporting entity's financial statements to understand the effect of related party transactions on its financial statements:
 - a) the nature and amount of each individually significant transaction, and
 - b) for other transactions that are collectively, but not individually, significant, a qualitative or quantitative indication of their extent.

3.9.6 Changes since the 2013/14 Code

- 3.9.6.1 ~~There have been no changes in the reporting requirements for the related party disclosures section of the Code since the 2013/14 Code.~~ The 2015/16 Code includes an addition to the definition of key management personnel and a new disclosure on the provision of key management personnel services that are provided by a separate management entity as a result of the *Improvements to IFRSs 2010-2012 Cycle*.