

Disclosure of Related Parties

Good Practice Note on enhancing the quality of
financial reporting



 AUDIT SCOTLAND

Prepared for public bodies in all sectors and appointed auditors

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Contents

Introduction	3
Key Messages	5
1. Related party relationships	6
2. Information on transactions and balances	9
3. Clarity and cutting clutter	13
4. Aggregation of information	17
Appendix 1 Definition of related parties	19
Appendix 2 Disclosure summary	20

Introduction

Purpose

1. Audit Scotland promotes high-quality financial reporting in Scottish public bodies. Audit Scotland's Professional Support carries out reviews of the annual accounts of public bodies to identify and share examples of good practice reporting and highlight areas where enhancements can be made.
2. This Good Practice Note shares the findings from a review of the information on related parties disclosed within the 2020/21 financial statements of a sample of 36 Scottish public bodies across all sectors. It is intended to act as a catalyst for public bodies to assess and enhance their own disclosures going forward.

Context

3. The disclosure of information on related parties was chosen for a good practice review because of the potential impact of the relationships in understanding the financial statements, along with indications that the quality of the disclosures was variable.
4. Related party relationships are a normal feature of commerce and business. However, related parties can affect a public body's financial position or performance where they enter transactions that unrelated parties would not, for example, a body that provides services to a related party at cost. Knowledge of a body's transactions, outstanding balances and relationships with related parties may affect assessments of its operations by users of the financial statements.
5. The good practice review was carried out by a team in Professional Support with knowledge of the relevant financial reporting framework. However, the team does not have a detailed understanding of each body's particular circumstances or the specific underlying transactions.

Disclosure requirements

6. The Code of Practice on Local Authority Accounting in the UK (accounting code) and the Government Financial Reporting Manual (FReM) require all public bodies to follow IAS 24 Related Parties Disclosures without any adaptation. IAS 24 requires a public body to disclose in its financial statements information necessary to draw attention to the possibility that its financial position and performance may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.
7. A related party is a person or entity that is related to the public body. A fuller definition is set out at paragraph 9 of IAS 24 and is reproduced at Appendix 1 of this Good Practice Note.

8. If a body has had related party transactions, IAS 24 requires disclosure of information about those transactions necessary for users to understand the potential effect of the relationship on the financial statements.

9. The aim of the disclosure is to bring to the attention of users any relationships that might prevent a public body from pursuing its separate interests or that might allow the body to prevent another entity from pursuing its interests independently. Having brought these relationships to the attention of users, transactions are disclosed so that the users can assess where these relationships might have had an effect or could do so in the future.

10. Where the related party is another public body, paragraph 26 of IAS 24 requires disclosure of:

- the name of the government that controls or significantly influences both bodies and the nature of the relationship
- the nature and amount of each individually significant transaction
- an indication of the extent for other transactions that are collectively significant.

11. Where the related party is a person or an entity that is not another public body, paragraph 18 of IAS 24 requires disclosure of:

- the nature of the related party relationship
- the amount of the transactions
- the amount of outstanding balances, including commitments, and
 - their terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement
 - details of any guarantees given or received
- provisions for doubtful debts related to the amount of outstanding balances
- the expense recognised during the period in respect of bad or doubtful debts due from related parties.

12. Paragraph 18A requires disclosure of the amounts incurred by the public body for the provision of key management personnel services provided by a separate management entity.

Contact points

13. The contact points in Professional Support for this Good Practice Note are:

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Key Messages

- 1** Public bodies should have arrangements in place to identify every person or entity that meets the accounting definition of a related party:
 - Bodies should assess whether there is control or significant influence in the relationship.
- 2** Bodies should disclose sufficient information on related party transactions so users can understand the potential effect of the relationship on the financial statements:
 - Transactions should be disclosed even if no price is charged.
 - Disclosure should be made of outstanding balances.
 - The nature of the related party relationship should be disclosed.
- 3** Information should be clear and not obscured by immaterial detail that causes clutter:
 - Information should be comprehensive and concise, relevant and material.
 - Cross-referencing and signposting should be used effectively to avoid repetition.
 - Plain language should be used where possible, and any unavoidable technical terms explained.
- 4** Information should be disclosed at an appropriate level of aggregation:
 - Disclosures for related parties other than public bodies should be made in specified categories.
 - Items of a similar nature may be disclosed in aggregate.
 - Transactions that are individually significant with another public body should be disclosed separately from transactions that are collectively significant.

1. Related party relationships

Public bodies should have arrangements in place to identify every person or entity that meets the accounting definition of related party

Bodies should assess whether there is control or significant influence in the relationship

14. Transactions do not in themselves create a related party relationship. There has to be some element of control or influence by one party over another, or by a third party over the two parties. A related party may be an:

- individual who is a member of the key management personnel of the public body or of the body's parent body, for example a director or an elected or board member
- entity controlled or significantly influenced by the public body, for example its subsidiary or associate
- another public body in Scotland.

15. Some points to consider when identifying related parties are set out in the following table:

Point	Explanation
Definition works both ways	The definition of related party should be read from both viewpoints, i.e. the public body should consider itself both as a controller/influencer and as the controlled/influenced.
Control/influence in practice	There should be control or significant influence in practice, and not just a statutory right for this to be the case.
Economic dependence	Relationships where there is economic dependence are not necessarily related parties. For example, where a voluntary organisation is wholly reliant on the public body for its funding, the body is required to have the ability to control or influence the organisation's financial and operating decisions in order for it to be a related party.

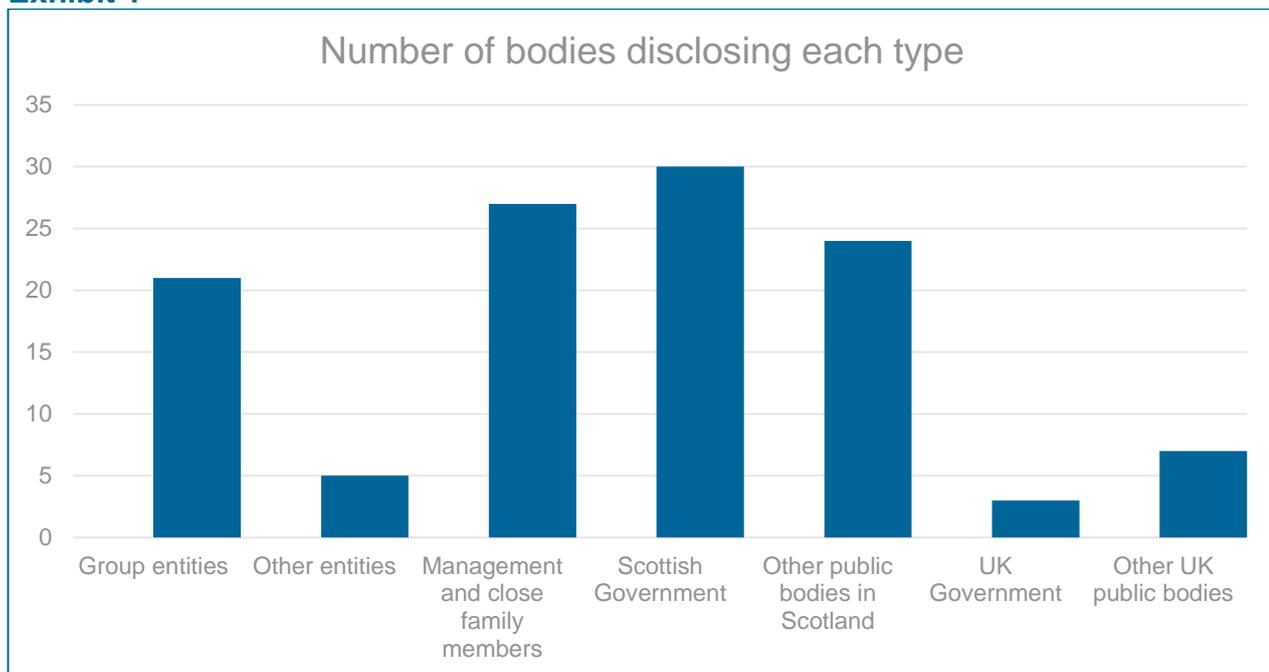
Point	Explanation
Common key management personnel	<p>Where a public body shares key management personnel with another entity, it is necessary to consider whether it is likely that the person would be able to affect the policies of both entities in their mutual dealings. For example:</p> <ul style="list-style-type: none"> • A body shares its chief executive with another organisation. • An elected or board member is the managing director of a company that receives grant funding from the public body. <p>It is less likely to be the case where a member or officer is appointed to the board of another organisation for the purpose of representing the body's views rather than to be a party to the financial and operating decisions of the organisation.</p>
Joint venturers	<p>Joint venturers are not related parties simply because they share joint control of a joint venture.</p>
Scottish public bodies	<p>Related parties include:</p> <ul style="list-style-type: none"> • a government that has control or joint control of, or significant influence over, the public body • other bodies that the same government has control or joint control of, or significant influence over. <p>Where the public body falls within the Scottish Government consolidated accounting boundary, other bodies within the boundary (e.g. agencies and health boards) are related parties.</p> <p>It is also reasonable to conclude that the Scottish Government has, at least, significant influence over other public bodies in Scotland (e.g. local authorities and NDPBs), through legislation and grant funding. All public bodies in Scotland are therefore expected to be related parties, with the exception of Audit Scotland due to its independence from government.</p>
UK public bodies outside Scotland	<p>Departments and agencies of a government that does not control, jointly control or significantly influence the public body are not related parties. It is reasonable to conclude that the UK government is not a related party of Scottish bodies.</p> <p>Whole of Government Accounts (WGA) are prepared as a statutory requirement for the purposes of the UK Parliament. WGA would not otherwise be required under accounting standards, and there is no one parent body that controls all the others. Audit Scotland does not therefore consider public bodies to be related parties simply on the basis of their inclusion within the scope of WGA.</p>

16. Examples of related parties that Scottish public bodies would be expected to have are as follows:

- Entities (e.g. companies, joint boards, charities, arm's-length external organisations) that fall within a body's group financial statements (even if a body is not included in practice on materiality grounds).
- Management (officers and members) disclosed in the Remuneration Report and close members of that person's family.
- Entities controlled by the body's management (officers and members) disclosed in the Remuneration Report and close members of that person's family.
- The Scottish Government and most other public bodies in Scotland.

17. All 36 bodies in the sample disclosed a note on related parties. Exhibit 1 shows the number of public bodies in the sample that disclosed each type of related party.

Exhibit 1



18. Five bodies disclosed entities as related parties, but the information was not sufficient to determine the type of relationship.

19. Two councils disclosed Audit Scotland as a related party (included within 'Other Scottish public bodies' in Exhibit 1). As explained previously, due to Audit Scotland's independence from government, it should not be considered a related party.

20. A few bodies included the UK Government or other public bodies outside Scotland as related parties. From the information disclosed it was not possible to determine why these were considered to be related party relationships. For example, HM Revenue and Customs was included but would not represent a related party simply on the basis the body pays taxes.

2. Information on transactions and balances

Bodies should disclose sufficient information on related party transactions so users can understand the potential effect of the relationship on the financial statements

Transactions should be disclosed even if no price is charged

21. Transactions are transfers of resources, services or obligations between the public body and a related party, regardless of whether a price is charged. Paragraph 21 of IAS 24 lists examples, including the following which would be expected to apply to public bodies:

- purchases or sales of goods
- purchases, sales or transfers of property and other assets
- rendering or receiving of services
- leases
- secondment of staff
- loans and grants
- provision of guarantees
- commitments if a particular event occurs in the future
- settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

22. If a public body has had a related party transaction during the year, IAS 24 requires information to be disclosed about the transactions and any outstanding balances. Of the bodies sampled, the most common transactions related to loans and grants, and the rendering or receiving of services.

23. Exhibit 2 provides an example of such a disclosure:

Exhibit 2

Payments made to the Scottish Courts and Tribunal Service relating to estates services and rental for occupancy of buildings and to University of Glasgow relating to Pathology and Toxicology services are as follows:

	2020-21	2019-20
	£000	£000
Scottish Courts and Tribunal Service	3,302	3,209
University of Glasgow	4,992	1,111

Income recharged to QLTR for salaries and administration costs, see page 70, are as follows:

	2020-21	2019-20
	£000	£000
QLTR	(650)	(572)

24. Few other transactions were disclosed in the related parties note, though it is possible information was disclosed elsewhere. As discussed at chapter 3, a cross-reference to such information should be included in the related parties note so it can stand on its own and give the full picture.

25. IAS 24 requires the disclosure of information on transactions necessary for users to understand the potential effect of the relationship on the financial statements. Disclosures in the sample tended to focus on the amounts involved with brief factual descriptions of their nature. The review team did not identify any examples where the potential effect of the relationship on the financial statements was fully explained.

Disclosure should be made of outstanding balances

26. Paragraph 18 of IAS 24 requires information to be disclosed on outstanding balances with related parties (other than public bodies). The types of information required, and the number of bodies in the sample disclosing each type, are summarised in Exhibit 3:

Exhibit 3

Information required	Number of bodies
The amount, including commitments	24
The terms and conditions, including whether they are secured, and the nature of the consideration to be provided in settlement	8
Details of any guarantees given or received	0
Provisions for doubtful debts related to the amount of outstanding balances	0
Expense recognised in respect of bad or doubtful debts due from related parties	0
Amounts incurred by the body for the provision of key management personnel services provided by another body.	6

27. The eight bodies that disclosed information on the terms and conditions stated that the transactions took place in line with normal terms and conditions or at arm's-length.

The nature of the related party relationship should be disclosed

28. If a public body has had transactions during the year with a related party, IAS 24 requires the nature of the related party relationship to be disclosed. Relationships between a parent and its subsidiaries require to be disclosed irrespective of whether there have been transactions between them.

29. Most bodies disclosed information on the nature of the relationship when the related party was an entity. Around two thirds of the bodies in the sample disclosed information on the nature of the relationship with the Scottish Government and other entities, including those within the body's group. Exhibit 4 provides examples:

Exhibit 4

Scottish Government

The Scottish Government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills). Grants received from government departments are set out in the subjective analysis in Note 14 on expenditure and income analysed by nature.

Fife Sports & Leisure Trust is a company limited by guarantee with charitable status set up on 1 April 2008 to provide sport & leisure activities in Fife through 14 leisure facilities leased from the Council. The Council pays a management fee to the Trust and is represented on the Board of Directors by 6 board members.

30. One of the more common entities disclosed as a related party by the bodies in the sample were integration joint boards (IJBs), with all 20 councils and health boards disclosing them. However, fewer than half of these bodies provided an explanation that would have assisted the user to understand the nature of the transactions.

31. Exhibit 5 provides an example of one of the better explanations:

Exhibit 5

North Ayrshire Integration Joint Board

The North Ayrshire Integration Joint Board was established on 1 April 2015 as a partnership between North Ayrshire Council and NHS Ayrshire and Arran and is responsible for planning and overseeing the delivery of a full range of community health and social work/social care services, including those for older people, adults, children and families, people in the Criminal Justice System and allied health professions. In the year 2020/21 the following North Ayrshire Council financial transactions were made with North Ayrshire Integration Joint Board relating to the integrated and social care functions:

	2020/21 £m	2019/20 £m
Contribution made to North Ayrshire IJB	99.897	97.973
Commissioning income received from North Ayrshire IJB	127.027	122.113
North Ayrshire IJB balance due (to)/from the Council	(1.486)	0.154

32. Disclosures were generally less clear when explaining the relationships that existed when making disclosures regarding individuals. Only a third of bodies explained the nature of the relationship that led to the individual being disclosed as a related party. As discussed earlier, simply because a member or officer is appointed to the board of another organisation does not necessarily result in a related party relationship. Exhibit 6 provides examples of explanations of the relationship which resulted in the individual being considered as a related party.

Exhibit 6

During the financial year, SCTS received a number of civil court fees from Addleshaw Goddard LLP, a legal firm conducting business in Scotland. The level of these fees, for the processing and transacting of civil court business carried out by the firm, are set independently of the SCTS by the relevant Scottish Statutory Instrument (referred to as a Fee Order). Mr Simon Catto, the solicitor member of the SCTS Board was a partner of Addleshaw Goddard LLP until June 2017.

During the year no Board or Executive Team members have undertaken any material transactions with the SCTS.

d) Fiona O'Donnell was a non executive member of NHS Lothian (resigned 23/2/2021) and is a director of Pennypit Community Development Trust. In 2020/21 NHS Lothian made payments to Pennypit Community Development Trust in relation to health service provision that amounted to £32,445 (2019/20: £nil).

3. Clarity and cutting clutter

Important information should not be obscured by immaterial detail that causes clutter.

Information should be comprehensive, concise, relevant and material

Comprehensive and concise

33. The information disclosed on related parties should be comprehensive, but it should also be concise. There does not have to be a tension between these two requirements.

34. Comprehensiveness reflects the breadth of information that is included rather than the depth. The note does not need to cover all possible matters in detail to be considered comprehensive. It should provide sufficient information necessary for an understanding of the related party transactions.

35. Conciseness is achieved through the efficient communication of the required information. There is a risk of confusing conciseness with excessive brevity in the level and type of information provided with the result that users are unable to understand the potential effect of the relationship.

36. Exhibit 7 illustrates a disclosure that was concise but still provided a breadth of information:

Exhibit 7

Pension Fund									
The Council is the administering authority for the Tayside Pension Fund. As administrator for the fund the Council is considered to have direct control over the fund, and the fund is therefore deemed to be a related party. The relevant transactions and balances with the fund to be disclosed are as follows:									
During 2019/2020		As at 31 March 2020		During 2020/2021		As at 31 March 2021			
Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000	Charges To £000	Charges From £000	Amounts Due From £000	Amounts Due To £000		
1,157	9	-	3,052	1,157	-	-	2,555	Tayside Pension Fund	

Relevance

37. A public body should take care to ensure that all the information included in the related parties note is relevant to its circumstances.

38. 'Boiler-plate' wording is a term that is often used to describe generic disclosures which could apply to any body that gives no additional useful information to users of the accounts; it should be avoided. While standard wording from another source (for example the guidance notes to the accounting code or the FReM) can be of assistance, a body should take care to tailor the wording to its specific circumstances.

Materiality

39. Only information that is material to users should be disclosed in the note. Materiality is an aspect of relevance that is specific to each body based on the nature or magnitude of the effect of the information, judged in the particular circumstances. Immaterial information should be excluded as it can cause clutter which obscures the key messages and impairs understandability.

40. Due to the nature of the information disclosed on related parties, and the purpose it serves, qualitative factors will often have a greater influence on the determination of materiality than when making materiality judgments in respect of other items in the financial statements. Some bodies set a quantitative threshold for the disclosure of related party transactions which reflects that they are material by their nature. Exhibit 8 provides an example of where a body set out the materiality level used:

Exhibit 8

21 Related Party Transactions (continued)			
In addition to the above named bodies, the College had transactions during the year or worked in partnership with publicly funded or representative bodies in which members of the Board of Management hold or held official positions as noted below:			
Board Member	Position	Organisation	Sales/ Purchases by the College in the year
Mr W Mackie	Trustee	Ayrshire College Foundation	Sales £5,400 Purchases nil
Mr S Wallace	Chief Financial Officer	University of Strathclyde	Sales £71,263 Purchases £nil
There were no transactions exceeding £5,000 with any other organisations associated with Board Members in 2020-21.			

41. Both the accounting code and the FReM require materiality assessments to be judged “in the surrounding circumstances”. This means that materiality should be considered from the point of view of both parties to the transaction. For example, a grant of £3,000 by a local authority to a company whose managing director is an elected member may be below the materiality level set by the local authority. However, if it is fundamentally important to the financial health of the company, it should be considered to be material for the purposes of the public body’s disclosure.

42. Most bodies did not disclose any materiality threshold set for related party transactions. The review team set a threshold of £10,000 for the purposes of the review, and examined the 17 transactions lower than that amount disclosed by eight bodies within the sample. No explanations were found as to whether the reason the transactions were being disclosed was because they were considered material to the related party or because they were above the materiality threshold set by the public body. A specific explanation would have helped users understand why the transaction had been disclosed.

Cross-referencing should be used effectively, and repetition avoided

Cross-referencing

43. Cross-referencing is a way to include information in a particular disclosure that is physically located elsewhere in the annual accounts. The appropriate use of cross-referencing helps to avoid unnecessary duplication, which should generally be avoided. Cross-referencing must be clear and specific.

44. Where information on related parties is adequately addressed in one part of the annual accounts, it can be included in the related parties note by adding a cross-reference. 13 bodies in the sample made some use of cross-referencing, but it was generally quite limited.

45. As a specific example, IAS 24 requires disclosure in a note of the employee benefits of key management personnel. This information is generally located in the Remuneration Report. The information does not have to be duplicated but, in order to meet the requirement of IAS 24, there should be a cross reference from the related parties note to the Remuneration Report. However, only nine bodies sampled included such a cross-reference. Exhibit 9 provides an examples:

Exhibit 9

Officers

Senior Officers have control over the Council's financial and operating policies. The total remuneration paid to senior officers is shown in the Remuneration Report (page 49). Officers have the responsibility to adhere to a Code of Conduct, which requires them to declare an interest in matters that directly or indirectly may influence, or be thought to influence their judgement or decisions taken during the course of their work. In terms of any relevant parties, officers with declarations of interest did not take part in any discussion or decisions relating to transactions with these parties.

Councillors

Members of the Council have direct control over the council's financial and operating policies. The total of Councillors Remuneration allowances paid in 2020/21 are shown in the Remuneration Report note 2.3 on page 39. There are no related party transactions with members of the council.

Signposting

46. Signposting is a similar concept to cross-referencing in that it involves drawing attention to information located elsewhere, but there are important differences:

Technique	Explanation
Cross referencing	Refers to information that is: <ul style="list-style-type: none"> necessary to meet a particular reporting requirement located in another part of the annual accounts.
Signposting	Refers to complimentary information which is: <ul style="list-style-type: none"> Potentially helpful to users but not necessary to meet any reporting requirements located either within the annual accounts or separately (e.g. on a website).

47. The related parties note must meet the requirements of IAS 24 without users having to refer to signposted information. However, signposting may be used if there is, for example, detailed information on relationships or transactions that goes beyond what is required but which may nevertheless be helpful to users. Where separate from the annual accounts, it is good practice to include a hyperlink to the information.

48. For example, seven of the 36 bodies sampled made use of signposting to draw attention to the members' register of interests. However, four of these simply included a general link to the homepage of the body's website. More effective signposting was employed by the other three bodies which provided a hyperlink directly to the register itself. Exhibit 10 provides a simple example:

Example 10

The [Board Members declarations of interest](#) are publicly available on NHS Shetland's website, or can be viewed in person at the Board's Headquarters in Lerwick.

Plain language should be used where possible, and any unavoidable technical terms explained

49. The language used to support and explain the information disclosed in the related parties note is fundamental to users' understanding. As with all narrative based notes, it should be written in plain language.

50. The excessive use of technical language (i.e. jargon) should be avoided where possible. Where the use of technical terms is necessary, they should be clearly defined and used consistently. Exhibit 11 provides examples of bodies defining some important terms:

Exhibit 11

Associates

Associates are bodies which the Council has significant influence over, but do not meet criteria of Subsidiaries or Joint Ventures. The following Associate was identified but not included in Group accounts due to materiality levels.

RELATED PARTIES

The council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the council or to be controlled or influenced by the council. Disclosure of these transactions allows readers to assess the extent to which the council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the council.

4. Aggregation of information

Information should be disclosed at an appropriate level of aggregation

Disclosures for related parties other than public bodies should be made in specified categories

51.Paragraph 19 of IAS 24 requires the disclosures for related parties (other than public bodies) to be made separately for each of the following categories:

- the parent
- entities with joint control of, or significant influence over, the body
- subsidiaries
- associates
- joint ventures in which the body is a joint venturer
- key management personnel of the body or its parent
- other related parties.

52.Only a third of the bodies in the sample disclosed information in the specified categories.

53.Some bodies helpfully included the specified categories under appropriate sub-headings as illustrated in Exhibit 12:

Exhibit 12

Entities controlled or significantly influenced by the Council

During the year Highland Council had two subsidiary companies as detailed below. Copies of the Accounts can be obtained from the Company Secretary, c/o Highland Council, Glenurquhart Road, Inverness, IV3 5NX.

High Life Highland

High Life Highland (HLH) is a charitable company limited by guarantee which was incorporated along with its wholly owned subsidiary High Life Highland (Trading) CIC on 1 October 2011 to deliver community learning and leisure services on behalf of The Highland Council. The Highland Council is the sole member of the company.

The results of High Life Highland have been consolidated in the group accounts.

Associates

Associates are bodies which the Council has significant influence over, but do not meet criteria of Subsidiaries or Joint Ventures. The following Associate was identified but not included in Group accounts due to materiality levels.

Fife Historic Building Trust is a company which promotes and encourages the maintenance and improvement of the amenity of the area of Fife and the protection and preservation of its landscape, architectural and historical heritage. The Council has 3 of the 12 Board members and in 2020-21 contributed £0.280m (2019-20 £0.235m).

Other Related Parties

The Council transacts with 'related parties' on a regular basis i.e. bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party to bargain freely with the Council.

Members and Officers of the Council

In addition to Subsidiaries and Associates, elected members have registered interests in other bodies where the Council does not have significant influence over their operations. In 2020-21 the Council made material payments (>£0.100m) to 15 of these bodies totalling £4.274m. The members' interests register is available at: <https://www.fife.gov.uk/kb/docs/articles/about-your-council2/politicians-and-committees/your-local-councillors>

There were no material payments to bodies where senior officers have a registered interest but members do not.

Scottish Government

The Scottish Government has effective control over the general operations of the Council. It provides the statutory framework within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many transactions that the Council has with other parties (e.g. council tax, housing benefits). Grants received from government departments are shown in the Grant Income note to these accounts.

Items of a similar nature may be disclosed in aggregate

54. Items of a similar nature may be disclosed in aggregate except when separate disclosure is necessary for an understanding of the effects of related party transactions on the financial statements of the body.

55. Exhibit 13 provides an example of a body that aggregated items of a similar nature but separately disclosed a particular transaction (although the inclusion of amounts may have enhanced the disclosure):

Exhibit 13

Other Organisations

The Council has interests in other bodies in collaboration with other local authorities, but are not Associates as the Council either has no significant influence, or does not invest in those bodies. These include SESTran (South East of Scotland Transport Partnership), SESPlan (South East of Scotland Strategic Development Planning Authority), TAYPlan (Tayside & North Fife Strategic Development Planning Authority), Tay Bridge Joint Board and Scotland Excel. Payments made to these bodies is included in Members and Officers section above where material. Fife Council also administers finance and human resources aspects of SESPlan and retains reserves on their behalf.

Transactions that are individually significant with another public body should be disclosed separately from transactions that are collectively significant

56. Where the related party is another public body, paragraph 26(b) of IAS 24 requires transactions which are individually significant to be disclosed separately from those which significant collectively.

57. Bodies in the sample did not appear generally to differentiate between transactions that were individually or collectively significant.

Appendix 1 Definition of related parties

IAS 24 (paragraph 9) defines a related party in the following terms:

(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 of 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 applies:

(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.

Appendix 2 Disclosure summary

Summary of disclosures for each type of related party

Related party type:	Individual	Entity	Public body
Disclosure element:			
Relationship		Nature	Scottish Government – nature Other public bodies – N/A
Transactions		Amount	For each individually significant transaction - nature and amount
Outstanding balances	Amount, terms and conditions, and details of any guarantees		For other transactions that are collectively – an indication of their extent
Doubtful debts related to outstanding balances	Provision at year end, and increases in provision and amounts written off during the year		N/A
Key management personnel services provided by a separate management entity		Amount incurred	

Note

Individual means a member of the key management personnel of the public body or of the body's parent body, for example a director or an elected or board member.

Entity means a separate entity controlled or significantly influenced by the public body, for example its subsidiary or associate.

Public body means another public body in Scotland.

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