



**Australian Government**

**Registered Organisations Commission**

# Registered Organisations Commission

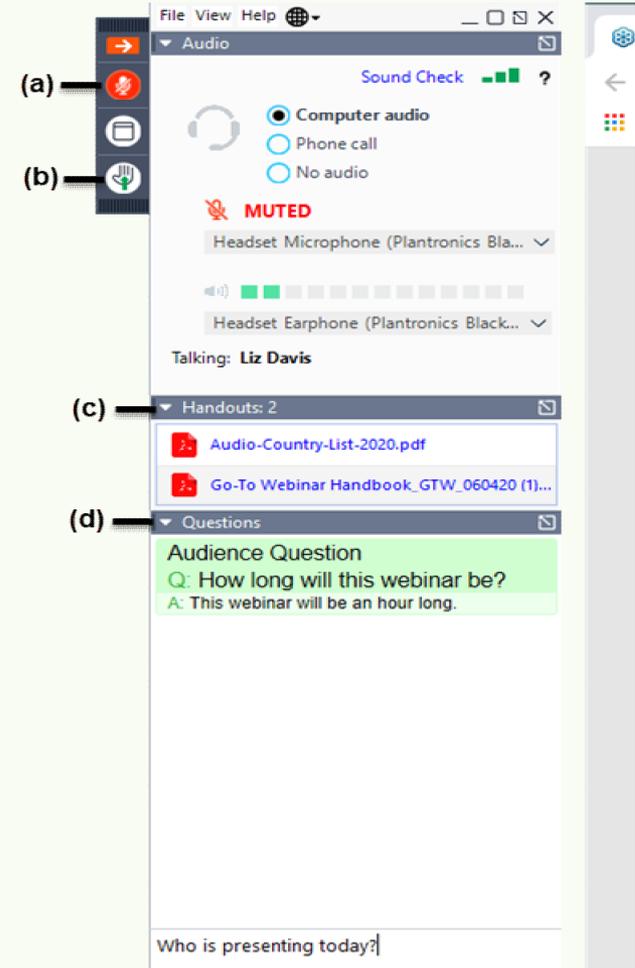
## Who is a related party?

26 March 2021



# Housekeeping

- Microphone icon – Mute (red) when you are not talking.  
A green microphone – it is switched on.
- Hand icon – Raise your hand when you want to ask a question.
- Handouts – You can download resources
- Questions – Type your question here
- Post-workshop survey





# Overview of this session

**Related parties comes up in our jurisdiction in two contexts:**

1. Lodging a financial report: OR
2. Disclosure obligations under the Fair Work (Registered Organisations) Act (**RO Act**).



# International Accounting Standard 24

A related party is a person or an entity that is related to the reporting entity:

- A person or a close member of that person's family is related to a reporting entity if that person has control, joint control, or significant influence over the entity or is a member of its key management personnel
- An entity is related to a reporting entity if, among other circumstances, it is a parent, subsidiary, fellow subsidiary, associate, or joint venture of the reporting entity, or it is controlled, jointly controlled, or significantly influenced or managed by a person who is a related party



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# Who is a related party in the context of lodging a financial report?



## Financial reports (GPFR)

- Definition that is applied when preparing financial reports come from the Australian Accounting Standards
- Section 253 provides that GPFR must be prepared in accordance with AASB
- Section 253(2)(c) provides that any other reports of statements required by reporting guidelines must be included in GPFR
- Reporting Guidelines issued under s 255 of RO Act by RO Commissioner. Current 5<sup>th</sup> edition is available on ROC website
- GPFR must be audited by auditor registered under RO Act



# Australian Accounting Standard 124

- Standard 9 provides a list of who is considered to be a related party
- A related party is a person or entity that is related to the entity that is preparing its financial statements
- The first part of definition states:
  - (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.



# Australian Accounting Standard 124

- Second part of definition relates to other types of related parties
- Including certain entities that are part of the same group of entities or are associates or joint ventures
- Standard 10 provides that in considering each possible related party relationship, attention is directed to the substance of the relationship and not merely the legal form



# Financial reports

Under AASB 124 GPFR must include:

- All relationships between a parent and its subsidiaries (cl 13)
- Key management personnel compensation (cl 17)
- Related party transactions (cl 18)

A ***related party transaction*** is a transfer of resources, services or obligations between a reporting entity and a related party, regardless of whether a price is charged



# Obligations

- Registered organisations must include additional reporting required by the RO Commissioner's Reporting Guidelines
- Main additional obligation:
  - Any payments made during the reporting period to a former related party, where the liability was incurred during the period in which a related party relationship existed, must be disclosed under the related party transaction note in the GPFR as though the related party relationship existed at the date of payment



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# Disclosure Obligations under RO Act



## Disclosure obligations under RO Act

- Obligations to lodge an officer and related party (**ORP**) statement
- Must be lodged within six months of the end of financial year
- Obligation to lodge ORP statement different to obligation to prepare GPFR
- ORP statement needs to be lodged within 6 months after the end of the financial year
- GPFR needs to be lodged within 14 days after the organisation presents its audited report to a general meeting or second meeting of its Committee of Management
- ORP statement does not form part of a Full Report and does not need to be audited





## Disclosure obligations cont.

- Organisations and branches must lodge ORPs statement, not reporting unit
- Section 293J – obligation to lodge ORPs statement
- Sections 293BC and 293G – dictates what must be disclosed in the ORPs statement



## Section 293B of RO Act

- Disclosure to members of identity of top paid officers of the branch or organisation
- Remuneration or non-cash benefits paid to officer by a **related party** of the branch or organisation in connection with the performance of the officer's duties as an officer



## Section 293G of RO Act

- Details of each payment to a **related party** or a declared person or body of the organisation or branch must be disclosed
- Declared person or body – entity in which an officer has a declared a material personal interest to the branch or organisation



# Who/what is a related party under RO Act?

## Section 9B

### First limb

- An entity controlled by an organisation is a related party, **other than**:
  - a branch, sub-branch, division or subdivision
  - an association of employers or employees registered under a State or Territory industrial law, and the organisation is a federal counterpart of the association



## Who/what is a related party?

### Second limb

- officers of an organisation, and spouses of officers (including de facto partners of officers)
- relatives of officers and spouses

### Third limb

- an entity controlled by any of the above types of related parties (unless the entity is also controlled by the organisation)



## Recap

- Organisation must disclose the following related party matters:
  - Remuneration and non-cash benefits that has been paid to the top 5 ranked officers by a related party
  - Each payment by the organisation or branch during the financial year to a **related party** or a declared person
- Purpose: transparency to ensure that members are properly informed
- May seem broad but there are carve outs



## Definition under section 9B of RO Act

- Entity will also be a related party if:
  - The entity was a related party at any time in the previous 6 months
  - Or if the entity has reasonable grounds to believe that it is likely to become a related party at any time in the future
- No time limitation on how long an entity might be related



## Definition under section 9B of the RO Act

- Entity acting **in concert** with a related party of the organisation on the understanding that the related party will receive a financial benefit if the organisation gives the entity a financial benefit is a related party



## Examples of a related party

- ☑ An employer association owns a separate entity, Speedy Legal. Speedy Legal is a related party of the employer association
- ☑ Teach You Pty Ltd is a registered training organisation. A union is able to appoint two-thirds of the directors to Teach You Pty Ltd. Teach You Pty Ltd is likely to be a related party of the Union
- ☑ Rory is the Secretary of a union. Rory's wife June is a related party of the union
- ☑ Diego is an officer of an employer association and his father owns a coffee business, Pablo's Coffee. Pablo's Coffee is a related party of the employer association



## Wrap up

- Consider different definitions
- ORP statement is different to GPFR
- What appears in one may not appear in the other
- Transparency obligations to ensure members are fully informed



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Questions?