**ADVICE TO LOCAL GOVERNMENTS RELATIONSHIP WITH RIVER IMPROVEMENT TRUSTS**

Local governments that have one or more River Improvement Trusts (RITs) operating within their local government area would be aware that they are represented in the membership of such trusts pursuant to the *River Improvement Act 1940*. This gives rise to certain accounting standard consequences -

* Individual councillors who are members of a RIT form part of the key management personnel (KMP) (as defined by AASB 124 *Related Party Disclosures*) of that RIT – separate to their role as part of the KMP of their local government. That means such councillors will now be separately requested by the RIT to provide information relevant to identifying related party transactions with that RIT, and to satisfy audit requirements. The declaration form that will be issued to such councillors for this purpose is expected to follow the format provided by Queensland Treasury for departments and statutory bodies to issue to their KMP.
* A local government that is represented in the membership of one or more RITs has significant influence over the respective RIT, in the context of AASB  128 *Investments in Associates and Joint Ventures*. That gives rise to a “related party” relationship between the local government and the RIT (under paragraph 9(b)(ii) of AASB 124). For the purposes of disclosures about related party transactions under paragraph 19(d) of AASB 124, individual local governments should assess the materiality of transactions/arrangements with the RIT (including in kind transactions).
* Normally, having significant influence over another entity would invoke the equity accounting requirements of AASB 128. However, on the basis that the local government has not made any equity investment in the RIT, and has no entitlement to a share of profit/loss from the RIT, equity accounting effectively does not apply.

The above matters reflect the outcomes of negotiations between Queensland Treasury and the Queensland Audit Office in the course of providing advice to RITs about the application of AASB 124.

Any questions about the above are best directed to Queensland Treasury either in writing to Treasury’s Accounting Policy and Advice Team (email to [fmhelpdesk@treasury.qld.gov.au](mailto:fmhelpdesk@treasury.qld.gov.au)) or by phone to Alison Cuthbert, Principal Accountant, Accounting Policy and Advice Team on (07) 3035 1431.