



Australian Government  
Australian Accounting Standards Board

## Memorandum

<b>To:</b>	<b>AASB members</b>	<b>Date:</b>	13 May 2014
<b>From:</b>	<b>Evelyn Ling</b>	<b>Agenda Item:</b>	8.1 (M138)
<b>Subject:</b>	<b>Related party disclosures by not-for-profit public sector entities</b>	<b>File:</b>	

### Action

To reconfirm tentative decisions in respect of the proposed amendments to AASB 124 *Related Party Disclosures* (removal of the scope exemption for not-for-profit public sector entities) and to provide staff with direction for finalising the amendments.

### Attachments

Agenda Paper 8.2 Staff paper: Issues considered and tentative Board decisions

Agenda Paper 8.2.1 Memo: AASB 124 *Related Party Disclosures* – Tier 2 Reduced Disclosure Requirements

Agenda Paper 8.3 Extracts from the minutes of previous AASB meetings

Agenda Paper 8.4 ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector*

Agenda Paper 8.5 Staff collation of submissions and roundtable comments (with staff comments and views) [for information only]

Agenda Paper 8.6 List of submissions received to ED 214 [for information only]  
Sub 1 – The Joint Accounting Bodies  
Sub 2 – Ernst & Young  
Sub 3 – Hayes Knight  
Sub 4 – Australasian Council of Auditors-General  
Sub 5 – Tasmanian and Queensland Audit Offices  
Sub 6 – KPMG  
Sub 7 – The Heads of Treasuries Accounting and Reporting Advisory Committee

Agenda Paper 8.7 Staff summary of significant matters raised at roundtables (October 2011) [for information only]

## Overview

In July 2012, the Board completed its consideration of the issues raised by constituents in relation to ED 214 and directed staff to begin drafting the amendments to AASB 124, including developing accompanying implementation guidance/ illustrative examples. At its April 2014 meeting, the Board requested staff to bring a paper to a future Board meeting highlighting the previous board decisions to provide the Board the opportunity to review and confirm those decisions.

## Background

The exemption from related party disclosures for not-for-profit (NFP) public sector entities has been in place since before the adoption of IFRS from 2005. The exemption was provided on the grounds of practicability, including having regard to the number of intra-government transactions. However, as the revised AASB 124 (issued in December 2009) provides a partial exemption from the disclosure requirements for entities that are related by virtue of being controlled, jointly controlled or significantly influenced by the same government (see paragraphs 25 and 26 of AASB 124), the AASB considered that the revised Standard to be a more appropriate basis for application by NFP public sector entities and in furtherance of its sector-neutral policy, initiated a project to consider issues relating to extending the scope of the Standard to NFP public sector entities.

Consequently, the AASB issued ED 214 *Extending Related Party Disclosures to the Not-for-Profit Public Sector* (see Agenda Paper 8.4) in July 2011 for comment by the end of January 2012 after discussing the issues involved in NFP public sector entities applying AASB 124. In the ED, the AASB:

- proposed deleting paragraph Aus1.3 (which at the time of issue of the exposure draft, specified that paragraphs AASB 124.1-28 do not apply to NFP public sector entities); and
- did not propose any modifications to the disclosure requirements of AASB 124 for application by NFP public sector entities, as explained in the Basis for Conclusions to the ED.

The submissions received and views expressed in roundtable discussions were considered by the Board at its June 2012 and July 2012 meetings (see Agenda Papers 8.3, 8.5 – 8.7).

Since the Board issued ED 214, the following key amendments have been made (or are forthcoming) to AASB 124:

- removal of the extended disclosure requirements in respect of key management personnel (KMP) of disclosing entities (AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*, issued in July 2011 and effective for annual reporting periods beginning on or after 1 July 2013); and
- compensation disclosure relief for entities obtaining KMP services from a management entity (IASB Standard *Annual Improvements to IFRSs 2010-2012 Cycle* issued by the IASB in December 2013 and effective for annual periods beginning on or after 1 July 2014; the equivalent Australian amendments will be presented to the Board for approval in the near future).

Agenda Paper 8.2 summarises the issues that were previously considered by the Board and the tentative Board decision in each area. The paper also seeks Board direction on progressing previous decisions on the application date and on KMP remuneration disclosure relief.

Agenda Papers 8.5 – 8.7 have been included as background to provide the Board with further information on the matters that were considered in forming its tentative decisions. Staff do not intend to speak to these agenda papers.

## Due Process activities

To date, the Board has undertaken the following due process activities in relation to its project on extending the scope of AASB 124 to not-for-profit public sector entities:

- communicated its views and policies via ED 214, which was exposed for public comment for approximately six months;
- held Roundtables in Sydney, Melbourne and Canberra to discuss the proposals in ED 214;
- considered constituent views (as captured in submissions and from feedback received at the roundtables) at AASB public meetings in June 2012 and July 2012;
- issued Action Alerts subsequent to those meetings to keep constituents informed of the AASB's deliberations;
- regularly updated the AASB work program (available on the AASB's website) to reflect changes to the expected timing of issue of the proposed amendments; and
- made available a project summary on the proposals (available on the AASB's website).

## Proposed Project Plan

AASB staff propose the following project plan:



## Questions for the Board:

- Q1 Does the Board agree with the tentative Board decisions set out in Agenda Paper 8.2?
- Q2 Does the Board consider that all necessary due process steps have been completed?
- Q3 Does the Board agree with the AASB staff's proposed project plan?