



10 Shelley Street
Sydney NSW 2000

PO Box H67
Australia Square 1213
Australia

ABN: 51 194 660 183
Telephone: +61 2 9335 7000
Facsimile: +61 2 9335 7001
DX: 1056 Sydney
www.kpmg.com.au

Our ref AASB Submission ED 214

Mr Kevin Stevenson
Chair
Australian Accounting Standards Board
PO Box 204
Collins St West VIC 8007

6 February 2012

Dear Kevin

Exposure Draft 214 Extending Related Party Disclosures to the Not-for-Profit Public Sector

We are pleased to have the opportunity to provide our comments on Exposure Draft 214: *Extending Related Party Disclosures to the Not-for-Profit Public Sector* ("ED 214") issued by the Australian Accounting Standards Board.

Overall, we support extending related party disclosures to the not-for-profit public sector, and believe the proposals will result in financial statements that are useful and will further improve financial reporting in this sector.

However, having said this, we acknowledge that there may be a number of practical application issues arising as public sector entities implement the proposed standard. In particular, we believe there are two fundamental interpretation challenges ahead for public sector entities, as follows:

- Firstly, identifying related party entities. Public sector governance arrangements are complex and determining whether an entity controls or is in fact, controlled by another entity, is challenging. We recommend the AASB give consideration to aligning the effective date of this amended standard with the work that is being undertaken on "control" in the public sector or at least, providing illustrative examples to assist application.
- Secondly, identifying key management personnel. Again, this can be challenging in the public sector where we see a variety of Ministerial arrangements. Identifying which Ministers are related to which entities may not be as straight forward as one would think. We recognise there is a risk that illustrative public sector specific examples may be used more widely than originally intended, however, given the importance of consistency across the public sector, we think such illustrative examples would be helpful.

* * * * *



*Australian Accounting Standards Board
Exposure Draft 214 Extending Related Party
Disclosures to the Not-for-Profit Public Sector
6 February 2012*

We would be pleased to discuss our comments with members of the AASB or its staff. If you wish to do so, please contact me on (02) 9335 7963.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'ND' followed by a stylized flourish.

Nicola Davis
Partner