

PUBLIC SECTOR ENTITIES TO DISCLOSE RELATED PARTY

In a significant change from current requirements, from 1 July 2016 Australian government and local government entities will be required to disclose related party information in the same way that private sector entities have to now.

The Australian Accounting Standards Board has recently released AASB 2015-6 *Amendments to Australian Standards – Extending Related Party Disclosures to Not-for-profit Public Sector Entities*. This extends the scope of AASB 124 *Related Party Disclosures* to remove the current exemption for not-for-profit public sector entities such as Government Departments, Universities and Local Councils.

The new standard adds implementation guidance with a series of examples specifically tailored to the Australian environment. In each of these examples there is discussion about who may, and may not, fall under the definition of 'key management personnel', for whom the new disclosure requirements apply. Typically this group comprises the executives and senior management, along with the members of boards, councils or other equivalent governing structures.

Related party transactions will be required to be disclosed to the extent necessary for users to understand the potential effect of the relationship on the financial statements. The standard suggests that in some circumstances, certain related party transactions may be determined to be immaterial and thereby not necessary for disclosure, e.g. transactions occurring during the course of delivering public service objectives, on the same terms as to the public generally. However, other than for this, the same level of disclosure that currently applies to public companies will apply to not-for-profit public sector entities.

Entities in this sector who have not already done so, will be required to give prompt consideration to this new standard, – including to whom the new disclosure requirements apply, what transactions are likely to be material, and what information systems are needed to ensure that all the necessary supporting information is captured. Key management personnel will have to be educated to understand what additional information is required to be released in the public domain, and consideration will have to be given to the likely response from the users of financial statements to this new information.