



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(a)**

Meeting Date: 1 March 2017

Subject: AASB Tentative Agenda Decision Paper - *Materiality of KMP related party transactions for public sector entities*

Date Prepared: 22 February 2017

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To seek the AUASB members' views on the recently released Australian Accounting Standards Board ("AASB") Tentative Agenda Decision Paper on *Materiality of KMP related party transactions for public sector entities*
2. Update AUASB members on the process by which AUASB staff will have input into a revised AASB paper on the topic.

Background

1. Following consultation with public sector stakeholders in relation to the implementation of AASB 124 *Related Party Disclosures*, the AASB released a Tentative Agenda Decision Paper *Materiality of KMP related party transactions for public sector entities* ("the paper") for comment. The paper considers the issue of whether a transaction with a key management personnel (KMP) related party, that is not part of a public services provider/taxpayer relationship, is always material for disclosure, even if conducted on normal terms and conditions.
2. The paper concludes that existing guidance in Australian Accounting Standards is sufficient to address the issue of whether a transaction with a KMP related party, that is not part of a public services provider/taxpayer relationship, is always material even if it is on normal terms and conditions.
3. A query was raised with the AUASB Chair enquiring whether the AUASB Technical Group had been consulted on this paper. AUASB staff were consulted about the content and conclusions in the final draft of the paper.
4. Subsequent discussions with the AASB Chair and AASB staff have confirmed the paper will be revised and updated following submissions being received from the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) and the Australasian Council of Auditors-General

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

(ACAG). The AUASB staff will be involved in the revision of this paper and it has been included on the agenda to invite AUASB members if they have any preliminary views on the topic.

Matters to Consider

1. Whilst the concept of materiality in the AASB paper has been addressed from the perspective of the preparer of the financial report (not the auditor), nonetheless both the AASB and AUASB staff wish to ensure that the context by which materiality is considered for the purposes of the paper is consistent from both an accounting and auditing point of view. Accordingly we seek the views of AUASB members on how materiality should be addressed in respect of this issue.

Material Presented

Agenda Item 7(a)	AUASB Board Meeting Summary Paper
Agenda Item 7(a).1	AASB Tentative Agenda Decision Paper <i>Materiality of KMP related party transactions for public sector entities</i>