



Project:	Post-implementation Reviews	Meeting:	M211
Topic:	Not-For-Profit Topics – Related party disclosures and Basis of preparation of special purpose financial statements	Agenda Item:	7.0
		Date:	14 February 2025
Contact(s):	Hang Tran htran@asb.gov.au Kimberley Carney kcarney@asb.gov.au Eric Lee elee@asb.gov.au	Project Priority:	Medium
		Decision-Making:	High
		Project Status:	Decide on the next steps

Objective of this paper

- 1 The objective of this agenda item is for the Board to:
 - (a) **consider** the overall feedback received on Topic 3 and Topic 4 in [ITC 51 Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements](#);
 - (b) **consider** staff analysis and recommendations; and
 - (c) **decide** on the next steps.

Attachments

Agenda Paper 7.1 Topic 4: Basis of preparation of special purpose financial statements – disclosures about compliance with Australian Accounting Standards

Agenda Paper 7.2 Topic 3: Related party disclosures by NFP public sector entities

Agenda Paper 7.3 ITC 51 AASB Invitation to comment *[in supplementary folder]*

Agenda Paper 7.4 ITC 51 Submission letters *[in supplementary folder]*

Structure of this paper

- 2 This paper is structured as follows:
 - (a) Background and reasons for bringing this paper to the Board (paragraphs 3 to 8);
 - (b) Overview of comment letters received and outreach activities (paragraph 9);
 - (c) Literature review (paragraph 10);

- (d) Summary of staff recommendations (paragraphs 11 to 12); and
- (e) Next step(s) (paragraph 13).

Background and reasons for bringing this paper to the Board

- 3 In November 2022, the Board issued [ITC 51 Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements](#). Comments on ITC 51 were due by 31 March 2023.
- 4 The topics in ITC 51 included:

Topics	Affected entities
Topic 1: Control and consolidation for NFP entities (Amendments made to AASB 10 <i>Consolidated Financial Statements</i> by AASB 2013- 8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities</i>)	NFP private and public sectors
Topic 2: The definition of a structured entity for NFP entities (Amendments made to AASB 12 <i>Disclosure of Interests in Other Entities</i> by AASB 2013- 8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities – Control and Structured Entities</i>)	NFP private and public sectors
Topic 3: Related party disclosures by NFP public sector entities (Amendments made to AASB 124 <i>Related Party Disclosures</i> by AASB 2015-6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities</i>)	NFP public sector entities
Topic 4: Basis of preparation of special purpose financial statements – disclosures about compliance with Australian Accounting Standards (Amendments made to AASB 1054 <i>Australian Additional Disclosures</i> by AASB 2019-4 <i>Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Not-for-Profit Private Sector Entities on Compliance with Recognition and Measurement Requirements</i>)	NFP private sector entities

May 2025 Meeting

March 2025 Meeting

- 5 Although the post-implementation review (PIR) was originally scheduled for completion by the end of 2023, it was delayed due to resource constraints and the re-prioritisation of the AASB’s work plan. A revised timeline was discussed during the March 2024 meeting, with feedback expected to be discussed and potential next steps considered in the Q1 2025 board meeting.
- 6 As noted in paragraph 9, eight comment letters were received. As the comment letters were received more than a year ago, staff contacted the submitters to confirm whether their views remained unchanged. Confirmation of any change in the submitters’ comment letters to the ITC 51 was due by 18 October 2024. All stakeholders confirmed their views were consistent with those included in their written submission (except Saward Dawson provided additional feedback to Topic 1).
- 7 In addition, the AASB also invited stakeholders to offer [additional comments on ITC 51](#) due to the delays in the Board considering the feedback it received. Additional feedback on the ITC 51 was due by 15 January 2025. No additional feedback from stakeholders was received.
- 8 It is important to note that this agenda item focuses **only** on **Topic 3** and **Topic 4**. Agenda Papers 7.1 and 7.2 provide a summary of the feedback received and staff analysis and recommendations on these topics. Topic 1 and Topic 2 will be presented in the May 2025 meeting.

Overview of comment letters received and outreach activities

9 Following the issue of ITC 51, various outreach activities were conducted.

Outreach activity	Number of stakeholders	Profile of stakeholder (where possible)
Written comment letters	8	<ul style="list-style-type: none"> (a) Four <u>professional services</u> firms <ul style="list-style-type: none"> (i) BDO (ii) Deloitte (iii) KPMG (iv) Saward Dawson Australia (b) Two <u>professional bodies</u> (joint submission) <ul style="list-style-type: none"> (i) CPA Australia & Chartered Accountants Australia and New Zealand (CAANZ) (c) One <u>auditor</u> <ul style="list-style-type: none"> (i) Australasian Council of Auditors General (ACAG) (d) One <u>regulator</u> <ul style="list-style-type: none"> (i) Australian Charities and Not-for-Profits Commission (ACNC) (e) One <u>treasury department</u> <ul style="list-style-type: none"> (i) The Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC)
Survey responses	9 respondents ¹	<ul style="list-style-type: none"> (a) Preparer (5) (b) Auditor (2) (c) Regulator (1) (d) User (1) <p>Respondents noted their experience as:</p> <ul style="list-style-type: none"> (a) Public sector NFP (6) (b) Private sector NFP (2) (c) Both (1)
Virtual outreach sessions	123 stakeholders over four sessions ²	<p>Session 1 – NFP project advisory panel members (13)</p> <p>Session 2 – NFP private sector entities (17)</p> <p>Session 3 – NFP local government entities (53)</p> <p>Session 4 – NFP State, Territory and Commonwealth Government entities (40)</p>
One-on-one meetings ³	5	These included meetings with preparers, accounting experts within audit offices, and accounting advisors (including professional services firms).
Other		<p>Stakeholder forums:</p> <ul style="list-style-type: none"> (a) ACNC Advisor Forum (b) South Australian Local Government committee meeting <p>Other feedback was received from 1 stakeholder, via email.</p>

1 The survey had a 22% completion rate indicating that not all who began the survey completed it and not all questions were answered. The survey was set up to allow respondents to skip through questions, to acknowledge that some ITC topics may not be relevant to all respondents.

2 The four sessions covered the topics in ITC 51 and also the topics in ITC 50 *Post-implementation Review – Income of Not-for-Profit Entities*

3 During the virtual outreach sessions, a polling question was used to ask attendees if they would like staff to contact them to discuss any topics in further detail. Respondents to the survey were also asked this. Stakeholders who advised they were unable to attend one of the virtual outreach sessions were also offered the opportunity to meet with staff and provide their feedback. Generally, only selected topics were discussed during these meetings.

Literature review

- 10 Staff have conducted a literature review on the respective topics. Overall, there are few academic papers examining the impact of the standards addressed in this PIR on Australian not-for-profit private and/or public sector entities. However, where relevant, research papers related to the topics are discussed in the staff papers corresponding to each topic.

Summary of staff recommendations

- 11 As part of the PIR process, feedback and evidence gathered are carefully considered to determine whether there are fundamental concerns about the overall effectiveness and efficiency of a standard in meeting its original or intended objectives. Various factors are considered before recommending whether any action is required.⁴
- 12 After considering the feedback received from stakeholders, and as outlined in Agenda Papers 7.1 and 7.2, in relation to:
- (a) **Agenda Paper 7.1:** Topic 4—*Basis of preparation of special purpose financial statements – disclosures about compliance with Australian Accounting Standards*: The feedback received did not indicate significant concerns regarding the SPFS disclosures. Therefore, staff **recommend that no action is required at this stage.**
 - (b) **Agenda Paper 7.2:** Topic 3—*Related party disclosures by NFP public sector entities*: While staff acknowledge several challenges in the application of AASB 124 by NFP public sector entities, staff are of the view that the current guidance provides sufficient support for entities. Furthermore, the feedback also indicated that the implementation complexities experienced by NFP public sector entities are due to the intricate nature of related party relationships in the sector rather than a shortcoming of the standard itself. Therefore, staff **recommend that no action is required at this stage.**

Next step(s)

- 13 Topic 1 and Topic 2 will be discussed at the May 2025 meeting. After the Board deliberate and make decisions for all topics addressed in ITC 51, staff will draft a feedback statement summarising the feedback received and the Board's decisions and reasoning. The Board will have the opportunity to review the draft feedback statement before publication on the AASB website to conclude the PIR.

4 See <https://aasb.gov.au/research-resources/research-centre/aasb-post-implementation-reviews/>