

Public supporting papers – NZASB Meeting 4 December 2024

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Extracts from the Public Finance Act 1989 and Crown Entities Act 2004 relevant to service performance information

Public Finance Act 1989 (as at 01 July 2024)

Information requirements for appropriations

Heading: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

13 Estimates and supporting information must be presented with main Appropriation Bill

(1) The Minister must present to the House of Representatives the Estimates immediately after he or she has delivered the Budget, or at any time prior to that time on the same day.

(2) The Minister must also present to the House of Representatives the supporting information referred to in [sections 15 to 15F](#) at the same time he or she presents the Estimates under subsection (1), unless that supporting information is already contained in the Estimates.

Section 13: substituted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 13 heading: replaced, on 1 July 2014, by [section 63\(1\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 13(1): amended, on 25 February 2012, by [section 4](#) of the Public Finance Amendment Act 2012 (2012 No 17).

Section 13(2): amended, on 1 July 2014, by [section 63\(2\)\(a\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 13(2): amended, on 1 July 2014, by [section 63\(2\)\(b\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

14 Content of Estimates

(1) The Estimates must state, for each appropriation sought in the main Appropriation Bill for a financial year and each appropriation authorised for that financial year by an Appropriation Act,—

(a) the Vote to which the appropriation relates; and

(b) the appropriation Minister; and

(c) the appropriation administrator; and

(ca) if the appropriation administrator is a specified agency and the Vote is not administered by the specified agency, the department administering the Vote; and

- (d) the type of the appropriation (in terms of [section 7A\(1\)](#)); and
 - (e) in the case of a multi-category appropriation, the overarching purpose of the appropriation (in terms of [section 7B\(b\)](#)); and
 - (f) the amount authorised by the appropriation (in terms of [section 8](#)); and
 - (g) the scope of the appropriation (in terms of [section 9](#)); and
 - (h) the period of the appropriation (in terms of [section 10](#)), but only if the period is more than 1 financial year.
- (2) The Estimates must state, for each appropriation authorised by a permanent legislative authority against which it is proposed to incur expenses or capital expenditure in the financial year to which the Estimates relate,—
- (a) the authority for the appropriation; and
 - (b) the information specified in subsection (1)(a) to (h), other than subsection (1)(f); and
 - (c) the amount forecast to be incurred under the appropriation.
- (3) The Estimates must state,—
- (a) for each department, the responsible Minister for the department; and
 - (b) for each department other than an intelligence and security department, the amount of capital injections authorised to be made to the department for the financial year to which the Estimates relate.
- (4) The Minister may, in addition to the information referred to in this section, include in the Estimates any further information that the Minister considers necessary or desirable.

Section 14: replaced, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).
Section 14(1)(ca): inserted, on 7 August 2020, by [section 7](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

15 Main Appropriation Bill: supporting information relating to Votes

- (1) The supporting information for the main Appropriation Bill must include, for the total in each Vote of each type of appropriation,—
- (a) voted departmental and non-departmental expenses or capital expenditure for the financial year to which the Appropriation Bill relates; and
 - (b) comparative voted and estimated actual expenses or capital expenditure for the previous financial year; and
 - (c) comparative actual expenses or capital expenditure for each of the 4 financial years that preceded the previous financial year; and
 - (d) projected expenses or capital expenditure for each of the 3 financial years following the financial year to which the Appropriation Bill relates.

(2) However, if the Vote has been restructured 1 or more times since the beginning of the period in respect of which supporting information is required under subsection (1), then the comparative information required under that subsection must, to the extent practicable, be prepared as if the restructuring had occurred before the beginning of that period.

(3) For the purposes of subsection (2), a Vote has been **restructured** if—

- (a) it has been combined with, or separated from, any other Vote; or
- (b) an appropriation, or a category within a multi-category appropriation, has been moved into the Vote from, or moved out of the Vote into, any other Vote; or
- (c) a category of expenses or non-departmental capital expenditure has been moved into or out of a multi-category appropriation within the Vote.

Section 15: replaced, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

15A Main Appropriation Bill: supporting information relating to appropriations

(1) The supporting information for the main Appropriation Bill for a financial year must include the information specified in subsections (2) and (3), including any information required by [section 15B](#), for—

- (a) each appropriation sought in the Bill; and
- (b) each appropriation authorised for that financial year by an Appropriation Act; and
- (c) each appropriation authorised by a permanent legislative authority against which it is proposed to incur expenses or capital expenditure in that financial year.

(2) The following information is required for each appropriation:

- (a) a concise explanation of what the appropriation is intended to achieve; and
- (b) comparative voted and estimated actual expenses or capital expenditure for the previous financial year; and
- (c) 1 of the following:
 - (i) the end-of-year performance information details described in [section 15C](#);
 - (ii) if the Minister has, under [section 15D](#), granted an exemption from the end-of-year performance information requirements, the Minister's reasons for granting the exemption.

(3) The following additional information is required for each category of a multi-category appropriation:

- (a) a concise explanation of what the category is intended to achieve; and
- (b) projected expenses or non-departmental capital expenditure to be incurred for the category; and

(c) comparative projected and estimated actual expenses or non-departmental capital expenditure for the category for the previous financial year.

(4) However,—

(a) in the case of an appropriation for expenses and capital expenditure to be incurred by an intelligence and security department, subsection (2)(c) does not apply; and

(b) in the case of an appropriation for borrowing expenses, subsection (2)(c) does not apply.

Section 15A: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 15A(4)(a): amended, on 28 September 2017, by [section 323](#) of the Intelligence and Security Act 2017 (2017 No 10).

Public Finance Act 1989 (as at 01 July 2024)

15B Comparative information requirements if no directly corresponding appropriation or category

(1) This section applies if—

(a) [section 15A](#) requires the supporting information for the main Appropriation Bill for a financial year to include, for an appropriation or a category within a multi-category appropriation, comparative information for the previous financial year; and

(b) that appropriation or category (the **new appropriation or category**) does not directly correspond to an appropriation or category for the previous financial year.

(2) The comparative information for the new appropriation or category must include all comparable expenses or capital expenditure.

(3) The comparative information for the new appropriation or category must also, to the extent practicable,—

(a) identify each previous appropriation or category that includes comparable expenses or capital expenditure; and

(b) identify the amount of comparable expenses or capital expenditure for that previous appropriation or category.

(4) In this section, **comparable expenses or capital expenditure**, in relation to a new appropriation or category, means voted or projected (as applicable) and estimated actual expenses or capital expenditure for a previous appropriation or category that would, if the new appropriation or category had been authorised for the previous financial year, have been within the scope of the new appropriation or category.

Section 15B: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

15C End-of-year performance information requirements

(1) The end-of-year performance information details for an appropriation (*see* [section 15A\(2\)\(c\)\(i\)](#)) are—

- (a) a concise explanation of how performance against the appropriation will be assessed; and
- (b) in the case of a multi-category appropriation, a concise explanation of how performance against each category of the appropriation will be assessed; and
- (c) who, in accordance with subsection (2), will provide information at the end of the financial year on what has been achieved with the appropriation; and
- (d) the document in which the end-of-year performance information will be presented to the House of Representatives.

(2) End-of-year performance information on an appropriation must be provided,—

- (a) for a multi-category appropriation,—
 - (i) by a Crown entity, a Schedule 4 organisation (but not including a Reserves Board (as described in [Schedule 4](#))), or a Schedule 4A company if the resources from that appropriation are used by that entity, organisation, or company only; or
 - (ii) by a department if, in accordance with a direction under [section 7C\(2\)\(c\)\(i\)](#), the resources from that appropriation are used by that department only; or
 - (iii) by the appropriation administrator, in any other case; and
- (b) for an appropriation described in subsection (3), by the appropriation Minister; and
- (c) for any other appropriation, by a department, a functional chief executive, an Office of Parliament, a Crown entity, a Schedule 4 organisation (but not including a Reserves Board (as described in [Schedule 4](#))), or a Schedule 4A company.

(3) Subsection (2)(b) applies in respect of an appropriation for non-departmental expenses, or non-departmental capital expenditure, from which resources will be provided to a person or an entity other than a department, a functional chief executive, an Office of Parliament, a Crown entity, a Schedule 4 organisation (but not including a Reserves Board (as described in [Schedule 4](#))), or a Schedule 4A company.

Section 15C: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 15C(2)(a): replaced, on 24 October 2019, by [section 114](#) of the Statutes Amendment Act 2019 (2019 No 56).

Section 15C(2)(c): amended, on 7 August 2020, by [section 8\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 15C(2)(c): amended, on 8 September 2018, by [section 81](#) of the Statutes Amendment Act 2018 (2018 No 27).

Section 15C(3): amended, on 7 August 2020, by [section 8\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 15C(3): amended, on 8 September 2018, by [section 81](#) of the Statutes Amendment Act 2018 (2018 No 27).

15D Exemptions from end-of-year performance information requirements for certain categories of expenses and capital expenditure

(1) The Minister may grant an exemption from the end-of-year performance information requirements in respect of an appropriation for departmental output expenses, or a category of departmental output expenses within a multi-category appropriation, if the Minister is satisfied that the appropriation or category relates exclusively to outputs supplied by a department to 1 or more other departments.

(2) The Minister may grant an exemption from the end-of-year performance information requirements in respect of an appropriation for non-departmental expenses or non-departmental capital expenditure, or a category of non-departmental expenses or non-departmental capital expenditure within a multi-category appropriation, if the Minister is satisfied that—

(a) the appropriation or category is one from which resources will be provided to a person or an entity other than a department, a functional chief executive, an Office of Parliament, or a Crown entity; and

(b) 1 of the following applies:

(i) key performance information relevant to the appropriation or category will be otherwise readily available to the House of Representatives:

(ii) end-of-year performance information for the appropriation or category is not likely to be informative in the light of the nature of the transaction or causal event giving rise to the expenses or capital expenditure:

(iii) the amount of the annual appropriation (or its annual average equivalent if the appropriation is a multi-year or permanent appropriation) or the projected amount of the expenses or non-departmental capital expenditure in the category (or its annual average equivalent if the category is part of a multi-year or permanent appropriation) is less than \$5 million for expenses or less than \$15 million for capital expenditure.

(3) An exemption under this section may be granted for 1 or more financial years or until further notice.

(4) The Minister's reasons for granting an exemption must be included in the supporting information for an Appropriation Bill (*see section 15A(2)(c)(ii)*).

(5) In subsection (2)(b)(iii),—

multi-year appropriation means an appropriation authorised to apply for more than 1 financial year (*see section 10*)

permanent appropriation means an appropriation authorised by a permanent legislative authority.

(6) An exemption under this section is secondary legislation (*see Part 3* of the Legislation Act 2019 for publication requirements).

See secondary legislation made under this Act (if published on this website)

Legislation Act 2019 requirements for secondary legislation made under this section

Publication	It is not required to be published	LA19 s 73(2)
Presentation	It is not required to be presented to the House of Representatives because a transitional exemption applies under Schedule 1 of the Legislation Act 2019	LA19 s 114, Sch 1 cl 32(1)(a)
Disallowance	It may be disallowed by the House of Representatives	LA19 ss 115, 116

This note is not part of the Act.

Section 15D: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 15D(2)(a): amended, on 7 August 2020, by [section 9](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 15D(6): inserted, on 28 October 2021, by [section 3](#) of the Secondary Legislation Act 2021 (2021 No 7).

Public Finance Act 1989 (as at 01 July 2024)

15E Main Appropriation Bill: supporting information relating to capital injections

(1) The supporting information for the main Appropriation Bill must include, for each capital injection authorised for the financial year to which the Appropriation Bill relates,—

- (a) the department to which the capital injection is to be made; and
- (b) a concise explanation of what the capital injection is to be used for; and
- (c) the amount of the capital injection.

(2) Subsection (1) does not apply to a capital injection to an intelligence and security department.

Section 15E: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

15EA Main Appropriation Bill: supporting information relating to child poverty

(1) The supporting information for the main Appropriation Bill must include a report on child poverty.

(2) The report must—

- (a) discuss any progress made, in the most recent completed financial year, in reducing child poverty consistent with the targets under the [Child Poverty Reduction Act 2018](#); and
- (b) indicate whether and, if so, to what extent, measures in or related to that Bill will affect child poverty.

Section 15EA: inserted, on 21 December 2018, by [section 49](#) of the Child Poverty Reduction Act 2018 (2018 No 57).

Public Finance Act 1989 (as at 01 July 2024)

15F Minister may present further supporting information

The Minister may, in addition to the information referred to in [sections 15 to 15EA](#), include in the supporting information for the main Appropriation Bill any further information that the Minister considers necessary or desirable.

Section 15F: inserted, on 1 July 2014, by [section 64](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 15F: amended, on 21 December 2018, by [section 50](#) of the Child Poverty Reduction Act 2018 (2018 No 57).

Public Finance Act 1989 (as at 01 July 2024)

16 Supplementary Estimates and supporting information must be presented with Supplementary Appropriation Bill

(1) The Minister must present to the House of Representatives the Supplementary Estimates on the day of the introduction of an Appropriation Bill that is other than—

- (a) the main Appropriation Bill for a financial year; or
- (b) an Appropriation Bill that deals only with matters that relate to a previous financial year.

(2) The Minister must also present to the House of Representatives the supporting information referred to in [sections 17A and 17B](#) at the same time that he or she presents the Supplementary Estimates under subsection (1), unless that supporting information is already contained in the Supplementary Estimates.

Section 16: substituted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 16 heading: amended, on 1 July 2014, by [section 65\(1\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 16(1)(a): amended, on 1 July 2014, by [section 65\(2\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 16(2): inserted, on 1 July 2014, by [section 65\(3\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

17 Content of Supplementary Estimates

(1) The Supplementary Estimates for a financial year must include—

- (a) the information specified in [section 14\(1\)](#) for—
 - (i) each appropriation authorised for that financial year by an Appropriation Act; and
 - (ii) each appropriation sought in an Appropriation Bill relating to that financial year; and

(b) the information specified in [section 14\(2\)](#) for each appropriation authorised by a permanent legislative authority against which it is proposed to incur expenses or capital expenditure in that financial year.

(2) The Supplementary Estimates must state,—

(a) for each department, the responsible Minister for the department; and

(b) for each department other than an intelligence and security department, the amount of capital injections authorised to be made to the department for the financial year.

(3) The Minister may, in addition to the information referred to in this section, include in the Supplementary Estimates any further information that the Minister considers necessary or desirable.

Section 17: replaced, on 1 July 2014, by [section 66](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

17A Supplementary Appropriation Bill: supporting information relating to appropriations

(1) The supporting information for a supplementary Appropriation Bill must include,—

(a) for each new appropriation, the information (excluding comparative information) specified in [section 15A](#); and

(b) for each existing appropriation, any change to the information (excluding comparative information) specified in [section 15A](#) that was most recently included in the supporting information for an Appropriation Act in respect of the appropriation.

(2) In this section,—

comparative information means the information specified in [section 15A\(2\)\(b\)](#) and [\(3\)\(c\)](#)

existing appropriation, in relation to a supplementary Appropriation Bill for a financial year, means an appropriation for which the information specified in [section 15A](#) is included in the supporting information for an Appropriation Act relating to that financial year

new appropriation, in relation to a supplementary Appropriation Bill for a financial year, means—

(a) an appropriation—

(i) that is sought in that Bill; and

(ii) for which the information specified in [section 15A](#) is not included in the supporting information for any Appropriation Act relating to that financial year; or

(b) an appropriation—

(i) that is authorised by a permanent legislative authority to incur expenses or capital expenditure; and

- (ii) against which it is proposed to incur expenses or capital expenditure in that financial year; and
- (iii) for which the information specified in [section 15A](#) is not included in the supporting information for any Appropriation Act relating to that financial year.

Section 17A: inserted, on 1 July 2014, by [section 66](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

17B Supplementary Appropriation Bill: supporting information relating to capital injections

- (1) The supporting information for a supplementary Appropriation Bill must include,—
- (a) for each new capital injection, the information specified in [section 15E](#); and
 - (b) for each existing capital injection, any change to the information specified in [section 15E](#) that is included in the supporting information for an Appropriation Act relating to that financial year.
- (2) In this section,—
- existing capital injection**, in relation to a supplementary Appropriation Bill and a financial year, means a capital injection for which the information specified in [section 15E](#) is included in the supporting information for an Appropriation Act relating to that financial year
- new capital injection**, in relation to a supplementary Appropriation Bill and a financial year, means a capital injection—
- (a) that is authorised for that financial year; and
 - (b) for which the information specified in [section 15E](#) is not included in the supporting information for any Appropriation Act relating to that financial year.
- (3) This section does not apply to a capital injection to an intelligence and security department.

Section 17B: inserted, on 1 July 2014, by [section 66](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

Reporting on appropriations: end-of-year performance information

Heading: inserted, on 1 July 2014, by [section 69](#) of the Public Finance Amendment Act 2013 (2013 No 50).

19A Provision of end-of-year performance information other than by Ministers

- (1) This section applies to the department, functional chief executive, Office of Parliament, Crown entity, Schedule 4 organisation, or Schedule 4A company (**performance reporter**) most recently identified in the supporting information for an

Appropriation Act as providing end-of-year performance information on an appropriation for a financial year.

(2) As soon as practicable after the end of each financial year, the performance reporter must prepare the information that is required by [section 19C](#).

(3) Not later than 15 working days after the performance reporter receives an audit report on the information under [section 45D](#) of this Act or [section 156](#) of the Crown Entities Act 2004 (as applicable),—

(a) the performance reporter must, unless the performance reporter is the appropriation administrator, provide the information and the audit report to the appropriation administrator; and

(b) the appropriation administrator must provide the information and the audit report to the appropriation Minister; and

(c) the appropriation Minister must ensure that the information and the audit report are presented to the House of Representatives in the document most recently specified for that purpose in the supporting information for an Appropriation Act.

(4) If Parliament is not in session, subsection (3)(c) does not apply, but the appropriation Minister must ensure that, as soon as possible after the commencement of the next session of Parliament, the information and the audit report are presented to the House of Representatives in the document most recently specified for that purpose in the supporting information for an Appropriation Act.

(5) The performance reporter must ensure that the information is published as soon as practicable after the information is presented to the House of Representatives, or, if subsection (4) applies, not later than 15 working days after receiving the audit report.

Section 19A: inserted, on 1 July 2014, by [section 69](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 19A(1): amended, on 7 August 2020, by [section 11](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 19A(1): amended, on 8 September 2018, by [section 82](#) of the Statutes Amendment Act 2018 (2018 No 27).

Public Finance Act 1989 (as at 01 July 2024)

19B Provision of end-of-year performance information by Ministers

(1) This section applies to the appropriation Minister most recently identified in the supporting information for an Appropriation Act as providing end-of-year performance information on an appropriation for a financial year.

(2) Within 4 months after the end of the financial year, the appropriation Minister must—

(a) prepare the information that is required by [section 19C](#); and

(b) ensure that the information is presented to the House of Representatives in the document most recently specified for that purpose in the supporting information for an Appropriation Act.

(3) If Parliament is not in session, subsection (2)(b) does not apply, but the appropriation Minister must ensure that, as soon as possible after the commencement of the next session of Parliament, the information is presented to the House of Representatives in the document most recently specified for that purpose in the supporting information for an Appropriation Act.

(4) The appropriation Minister must ensure that the information is published as soon as practicable after the information is presented to the House of Representatives, or, if subsection (3) applies, not later than 4 months after the end of the financial year.

Section 19B: inserted, on 1 July 2014, by [section 69](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

19C Requirements for end-of-year performance information

(1) The end-of-year performance information for an appropriation must include the following:

(a) an assessment of what has been achieved with the appropriation in the financial year; and

(b) a comparison of the actual expenses or capital expenditure incurred in relation to the appropriation in the financial year with the expenses or capital expenditure that were appropriated or forecast to be incurred.

(2) In the case of a multi-category appropriation, subsection (1)(a) and (b) must be read as if the references in those paragraphs to an appropriation included a reference to each category of expenses or capital expenditure within that appropriation.

(3) The end-of-year performance information for an appropriation must be prepared in accordance with generally accepted accounting practice, to the extent that the information is of a form or nature for which provision is made in financial reporting standards that form part of generally accepted accounting practice.

Section 19C: inserted, on 1 July 2014, by [section 69](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

21 Expenses restricted by revenue

(1) If a class of outputs is supplied by a department, output expenses may be incurred, without further appropriation than this section, up to the amount of revenue expected to be earned by that class of outputs from parties other than the Crown.

(2) However, subsection (1) applies only if—

(a) the appropriation is limited to 1 class of outputs; and

(b) the appropriation to which the output expenses are to be charged is specified in an Appropriation Act for that year as being supplied under this section; and

(c) the approval of the Minister for the output expenses to be incurred under this section has been given.

(3) Despite subsections (1) and (2), the Minister may direct that only part of the output expenses may be incurred to a level less than the amount of the revenue earned from parties other than the Crown.

(4) This section does not authorise output expenses to be incurred, in respect of any class of outputs, that exceed the actual amount of revenue earned by that class of outputs from parties other than the Crown in any year.

(5) In this section, a reference to the amount of revenue earned by a class of outputs from parties other than the Crown may include a reference to the amount of revenue earned by a class of outputs from another department.

Section 21: substituted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Public Finance Act 1989 (as at 01 July 2024)

26A Transfer of resources between output expense appropriations

(1) The Governor-General may, by Order in Council, direct that an amount appropriated for an output expense appropriation in a Vote be transferred, without further appropriation than this section, to another output expense appropriation in that Vote if—

(a) the amount transferred does not increase that appropriation for a financial year by more than 5%; and

(b) no other transfer under this section to that appropriation has occurred during that financial year; and

(c) the total amount appropriated for that financial year for all output expense appropriations in that Vote is unaltered.

(2) A clause that confirms the making of an Order in Council under subsection (1) in a financial year must be included in an Appropriation Bill that applies to that financial year.

(3) Subsection (2) does not limit the validity of an Order in Council made under subsection (1) or the validity of any transfer made under that Order in Council.

(4) In this section, **output expense appropriation** means—

(a) an appropriation for 1 category of output expenses:

(b) a multi-category appropriation that includes only categories of output expenses.

(5) An order under this section is secondary legislation (*see* [Part 3](#) of the Legislation Act 2019 for publication requirements).

[See secondary legislation made under this Act \(if published on this website\)](#)

Legislation Act 2019 requirements for secondary legislation made under this section

Publication PCO must publish it on the legislation website and notify it in the *Gazette* LA19 s 69(1)(c)

Presentation The Minister must present it to the House of Representatives LA19 s 114, Sch 1 cl 32(1)(a)

Disallowance It may be disallowed by the House of Representatives LA19 ss 115, 116
This note is not part of the Act.

Section 26A: substituted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 26A(4): inserted, on 8 September 2018, by [section 83](#) of the Statutes Amendment Act 2018 (2018 No 27).

Section 26A(5): inserted, on 28 October 2021, by [section 3](#) of the Secondary Legislation Act 2021 (2021 No 7).

Public Finance Act 1989 (as at 01 July 2024)

26D Reporting requirements in relation to expenses or capital expenditure incurred in excess of, or without, appropriation and capital injections made in excess of, or without, authorisation

(1) This section applies to—

(a) any expenses that have, or capital expenditure that has, been incurred—

(i) without appropriation or other authority; or

(ii) in excess of an existing appropriation or other authority; and

(b) any capital injection (other than a capital injection to an intelligence and security department) that has been made—

(i) without authority under an Appropriation Act or approval under [section 25A](#); or

(ii) in excess of an existing authority under an Appropriation Act or an existing approval under [section 25A](#).

(2) A statement that relates to any expenses, capital expenditure, or capital injection to which this section applies must be included in—

(a) the annual financial statements of the Government for the financial year; and

(b) the annual report of the administering department for the financial year in accordance with [section 45A\(c\) and \(e\)](#).

Section 26D: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 26D heading: amended, on 1 July 2014, by [section 76\(1\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 26D(1): replaced, on 1 July 2014, by [section 76\(2\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 26D(2): amended, on 1 July 2014, by [section 76\(3\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 26D(2)(b): replaced, on 1 July 2014, by [section 76\(4\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

Application of this Part to Offices of Parliament

Heading: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

26E Application of this Part to Offices of Parliament

(1) Before an appropriation in a Vote administered by an Office of Parliament may be included in an Appropriation Bill for a financial year, the chief executive of the Office concerned must prepare and submit to the House of Representatives the following information:

- (a) an estimate of expenses and capital expenditure to be incurred for—
 - (i) each proposed appropriation; and
 - (ii) each proposed category of expenses or non-departmental capital expenditure within a multi-category appropriation; and
- (b) the revenue of the Office (including the revenue associated with each proposed expenses appropriation and each proposed category of expenses within a multi-category appropriation).

(2) Before an authorisation for a capital injection to be made to an Office of Parliament may be included in an Appropriation Bill for a financial year, the chief executive of the Office concerned must submit to the House of Representatives the amount of the proposed capital injection.

(3) The House of Representatives, after considering the information provided under subsections (1) and (2), may for each Office of Parliament commend to the Governor-General, by way of an address,—

- (a) the estimates referred to in subsection (1)(a); and
- (b) the capital injection referred to in subsection (2).

(4) The House of Representatives may, in that address, request that the estimates be included as a Vote, and the capital injection be authorised, in an Appropriation Bill for that year.

(5) If the Vote or authorisation is included in an Appropriation Bill for that year, this Part applies, with all necessary modifications, as if references to a department were references to an Office of Parliament.

(6) An alteration to the Vote or authorisation during that year is subject to the provisions of this section.

Section 26E: replaced, on 1 July 2014, by section 77 of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

Part 2
Fiscal responsibility and wellbeing

Part 2: substituted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Part 2 heading: amended, on 1 July 2020, by [section 4](#) of the Public Finance (Wellbeing) Amendment Act 2020 (2020 No 29).

Preliminary

Heading: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

26F Interpretation

If the context requires, references in this Part to total debt, total operating expenses, total operating revenues, and total net worth are references to the total fiscal aggregates of the forecast financial statements prepared in accordance with [section 26Q](#).

Section 26F: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Public Finance Act 1989 (as at 01 July 2024)

26G Principles of responsible fiscal management

(1) The Government must pursue its policy objectives in accordance with the following principles (the **principles of responsible fiscal management**):

- (a) reducing total debt to prudent levels so as to provide a buffer against factors that may impact adversely on the level of total debt in the future by ensuring that, until those levels have been achieved, total operating expenses in each financial year are less than total operating revenues in the same financial year; and
- (b) once prudent levels of total debt have been achieved, maintaining those levels by ensuring that, on average, over a reasonable period of time, total operating expenses do not exceed total operating revenues; and
- (c) achieving and maintaining levels of total net worth that provide a buffer against factors that may impact adversely on total net worth in the future; and
- (d) managing prudently the fiscal risks facing the Government; and
- (e) when formulating revenue strategy, having regard to efficiency and fairness, including the predictability and stability of tax rates; and
- (f) when formulating fiscal strategy, having regard to the interaction between fiscal policy and monetary policy; and
- (g) when formulating fiscal strategy, having regard to its likely impact on present and future generations; and
- (h) ensuring that the Crown’s resources are managed effectively and efficiently.

(2) However, the Government may depart from the principles of responsible fiscal management if—

- (a) the departure from those principles is temporary; and
- (b) the Minister, in accordance with this Act, states—
 - (i) the reasons for the departure from those principles; and

(ii) the approach the Government intends to take to return to those principles; and

(iii) the period of time that the Government expects to take to return to those principles.

Section 26G: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 26G(1)(e): replaced, on 4 September 2013, by [section 4](#) of the Public Finance (Fiscal Responsibility) Amendment Act 2013 (2013 No 67).

Section 26G(1)(f): inserted, on 4 September 2013, by [section 4](#) of the Public Finance (Fiscal Responsibility) Amendment Act 2013 (2013 No 67).

Section 26G(1)(g): inserted, on 4 September 2013, by [section 4](#) of the Public Finance (Fiscal Responsibility) Amendment Act 2013 (2013 No 67).

Section 26G(1)(h): inserted, on 4 September 2013, by [section 4](#) of the Public Finance (Fiscal Responsibility) Amendment Act 2013 (2013 No 67).

Public Finance Act 1989 (as at 01 July 2024)

26H Generally accepted accounting practice

All financial statements and forecast financial statements included in reports and updates required under this Part must be prepared in accordance with generally accepted accounting practice.

Section 26H: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Public Finance Act 1989 (as at 01 July 2024)

Fiscal strategy report

Heading: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

26I Fiscal strategy report

(1) The Minister must, in each financial year and in accordance with subsection (2), present to the House of Representatives a report on the Government's fiscal strategy.

(2) The Minister must present the fiscal strategy report immediately after he or she has delivered the Budget for the financial year to which the report relates, or at any time prior to that time on the same day.

(3) [Sections 26J to 26L](#) set out the contents of the fiscal strategy report.

Section 26I: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 26I(2): amended, on 25 February 2012, by [section 5](#) of the Public Finance Amendment Act 2012 (2012 No 17).

Public Finance Act 1989 (as at 01 July 2024)

26J Contents of fiscal strategy report: long-term objectives

(1) The fiscal strategy report must—

(a) state the Government’s long-term objectives for fiscal policy and, in particular, for the following variables:

(i) total operating expenses:

(ii) total operating revenues:

(iii) the balance between total operating expenses and total operating revenues:

(iv) the level of total debt:

(v) the level of total net worth; and

(b) explain how those long-term objectives accord with the principles of responsible fiscal management; and

(c) state the period to which those long-term objectives relate (which must be a period of 10 or more consecutive financial years commencing with the financial year to which the fiscal strategy report relates).

(2) The fiscal strategy report must also—

(a) assess the consistency of the long-term objectives referred to in subsection (1)(a)—

(i) with the long-term objectives in the most recent fiscal strategy report; or

(ii) if the long-term objectives in the most recent fiscal strategy report were amended in the budget policy statement most recently prepared under [section 26M](#), with the long-term objectives stated in the statement; and

(b) if the long-term objectives referred to in subsection (1)(a) are not consistent with the long-term objectives in the most recent fiscal strategy report or in the budget policy statement most recently prepared under [section 26M](#), justify the departure of the long-term objectives referred to in subsection (1)(a) from the long-term objectives in the most recent fiscal strategy report or in the statement.

Section 26J: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Public Finance Act 1989 (as at 01 July 2024)

26K Contents of fiscal strategy report: short-term intentions

(1) The fiscal strategy report must, for the financial year to which the report relates and at least the next 2 financial years, indicate explicitly, by the use of ranges, ratios, or other means, the Government’s short-term intentions for each of the variables specified in [section 26J\(1\)\(a\)](#).

- (2) The fiscal strategy report must—
- (a) assess the consistency of the short-term intentions referred to in subsection (1) with—
 - (i) the principles of responsible fiscal management; and
 - (ii) the long-term objectives referred to in [section 26J\(1\)\(a\)](#); and
 - (b) if those short-term intentions are not consistent with the principles of responsible fiscal management or with the long-term objectives referred to in [section 26J\(1\)\(a\)](#) or with both, state—
 - (i) the reasons for the departure of those short-term intentions from those principles or from those long-term objectives or from both; and
 - (ii) the approach the Government intends to take to ensure that those short-term intentions become consistent with those principles and those long-term objectives; and
 - (iii) the period of time that is expected to elapse before those short-term intentions become consistent with those principles and those long-term objectives.
- (3) The fiscal strategy report must also—
- (a) assess the consistency of the short-term intentions referred to in subsection (1)—
 - (i) with the short-term intentions indicated in the most recent fiscal strategy report; or
 - (ii) if the short-term intentions indicated in the most recent fiscal strategy report were amended in the budget policy statement most recently prepared under [section 26M](#), with the short-term intentions indicated in the statement; and
 - (b) if the short-term intentions referred to in subsection (1) are not consistent with the short-term intentions in the most recent fiscal strategy report or in the budget policy statement most recently prepared under [section 26M](#), justify the departure of the short-term intentions referred to in subsection (1) from the short-term intentions in the most recent fiscal strategy report or in the statement.

Section 26K: inserted, on 25 January 2005, by [section 7](#) of the Public Finance Amendment Act 2004 (2004 No 113).

26KA Contents of fiscal strategy report: management of the Crown's resources

- (1) The fiscal strategy report must include details of the Government's strategy for managing expenditure, assets, and liabilities in the period of at least 3 financial years commencing with the financial year to which the report relates.

(2) Details of the Government’s strategy for managing expenditure, assets, and liabilities may include—

- (a) the outcomes sought from new or reallocated expenditure, assets, and liabilities; and
- (b) any expected change over time in the major components of expenditure, assets, and liabilities.

Section 26KA: inserted, on 4 September 2013, by [section 5](#) of the Public Finance (Fiscal Responsibility) Amendment Act 2013 (2013 No 67).

Public Finance Act 1989 (as at 01 July 2024)

26KB Contents of fiscal strategy report: wellbeing objectives

The fiscal strategy report must—

- (a) explain how wellbeing objectives have guided the Government’s Budget decisions; and
- (b) if the wellbeing objectives that guided the Government’s Budget decisions differ from those indicated in the budget policy statement most recently prepared under [section 26M](#), indicate the differences.

Section 26KB: inserted, on 1 July 2020, by [section 5](#) of the Public Finance (Wellbeing) Amendment Act 2020 (2020 No 29).

Public Finance Act 1989 (as at 01 July 2024)

Wellbeing report

Heading: inserted, on 1 July 2020, by [section 8](#) of the Public Finance (Wellbeing) Amendment Act 2020 (2020 No 29).

26NB Wellbeing report

(1) The Minister must, before the end of 2022 and then at intervals not exceeding 4 years, present to the House of Representatives a report on wellbeing prepared by the Treasury.

(2) Using indicators, the report must describe—

- (a) the state of wellbeing in New Zealand; and
- (b) how the state of wellbeing in New Zealand has changed over time; and
- (c) the sustainability of, and any risk to, the state of wellbeing in New Zealand.

(3) The report must be accompanied by a statement of responsibility signed by the Secretary.

(4) The statement of responsibility must state that the indicators have been selected, and the report prepared, by the Treasury using its best professional judgements.

Section 26NB: inserted, on 1 July 2020, by [section 8](#) of the Public Finance (Wellbeing) Amendment Act 2020 (2020 No 29).

Public Finance Act 1989 (as at 01 July 2024)

Reporting requirements: information on strategic intentions

Heading: replaced, on 1 July 2014, by [section 80](#) of the Public Finance Amendment Act 2013 (2013 No 50).

38 Departments must provide information on strategic intentions

- (1) A department must provide to its responsible Minister—
- (a) information on the department’s strategic intentions that complies with this section and [section 40](#); and
 - (b) a statement of responsibility for the information, signed by the department’s chief executive.
- (2) The information—
- (a) must relate to the forthcoming financial year and at least the following 3 financial years; and
 - (b) may also relate to the remainder of the current financial year.
- (3) The information must identify the period to which it relates.
- (4) The department must provide the information—
- (a) at least once in every 3-year period, unless the Minister has granted an extension of time under [section 41](#); and
 - (b) in the case of a new department, as soon as practicable, but not later than 6 months, after the date on which the department is established; and
 - (c) if there has been a significant change in the nature or scope of the department’s functions, as soon as practicable, but not later than 6 months, after that change.
- (5) Despite subsection (4)(a), the department must comply with subsection (1) as soon as practicable if the information most recently provided by the department under this section—
- (a) becomes out of date because of a material change in the department’s strategic intentions; or
 - (b) is otherwise false or misleading in a material particular.
- (6) This section and [sections 38A to 40](#) do not apply to a departmental agency that, under [Part 2](#) of Schedule 2 of the Public Service Act 2020, must operate within the strategic and policy framework of its host department (but *see* [section 40\(3\)](#)).

Section 38: replaced, on 1 July 2014, by [section 80](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 38(6): inserted, on 7 August 2020, by [section 18](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

39 Obligation to publish and present information on strategic intentions

- (1) A department must, as soon as practicable after providing information on its strategic intentions to its responsible Minister, publish the information on an Internet site maintained by or on behalf of the department.
- (2) However, the department must not publish the information—
 - (a) in the period of 3 months before the Minister delivers the Budget for the first full financial year to which the information relates; or
 - (b) if the Minister gives less than 3 months' notice of the day on which he or she will deliver that Budget, in the period commencing on the day on which the Minister gives that notice and ending when the Minister delivers the Budget.
- (3) In the case of information provided by an intelligence and security department, the responsible Minister must forward a copy of the information, as soon as practicable after receiving it, to the members of the Intelligence and Security Committee continued under [section 192](#) of the Intelligence and Security Act 2017.
- (4) In the case of information provided by any other department, the responsible Minister (or the Minister referred to in subsection (6), if applicable) must present the information to the House of Representatives—
 - (a) in the same document as the department's annual report for the financial year before the first full financial year to which the information relates; or
 - (b) in any other document, in which case the information must be presented as soon as practicable after the responsible Minister receives it and not later than the date on which the annual report described in paragraph (a) is presented.
- (5) However, the responsible Minister (or the Minister referred to in subsection (6), if applicable) must not present the information to the House of Representatives in the period described in subsection (2).
- (6) A Minister other than the responsible Minister may present the information to the House of Representatives if—
 - (a) the information is presented in a document that includes other information; and
 - (b) that other Minister is responsible for presenting that other information.
- (7) Information presented to the House of Representatives under subsection (4) must be accompanied by a statement signed by the responsible Minister stating,—
 - (a) in the case of the Office of the Clerk of the House of Representatives or the Parliamentary Service, that the information is consistent with the policies and performance expectations of the responsible Minister; or
 - (b) in the case of any other department, that the information is consistent with the policies and performance expectations of the Government.

Section 39: replaced, on 1 July 2014, by [section 80](#) of the Public Finance Amendment Act 2013 (2013 No 50).
Section 39(3): amended, on 28 September 2017, by [section 335](#) of the Intelligence and Security Act 2017 (2017 No 10).

40 Requirements for information on strategic intentions

- (1) The information required under [section 38](#) must, for the period to which it relates, set out the strategic objectives that the department intends to achieve or contribute to (**strategic intentions**).
- (2) The information must also, for the period to which it relates,—
- (a) explain the nature and scope of the department’s functions and intended operations; and
 - (b) identify any specified agencies for which the department is a host or relevant department (or, if the department is a specified agency, the department’s host or relevant departments); and
 - (c) explain how the department intends to manage its functions and operations to meet its strategic intentions; and
 - (d) set out and explain any other matters that—
 - (i) are reasonably necessary to achieve an understanding of the department’s strategic intentions and capability; or
 - (ii) may be specified by the Minister or the responsible Minister for the purposes of subparagraph (i).
- (3) If, for the period to which the information relates, a specified agency identified under subsection (2)(b) is not required to provide information on its own strategic intentions (*see* [sections 38\(6\)](#) and [41\(3A\)](#)), the information described in subsections (1) and (2) must also cover that specified agency.

Section 40: replaced, on 1 July 2014, by [section 80](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 40(2)(b): amended, on 7 August 2020, by [section 19\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 40(3): inserted, on 7 August 2020, by [section 19\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

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41 Minister may grant extension of time for, or waive, requirement to provide information on strategic intentions

- (1) If a department is likely to have a significant change in the nature or scope of its functions, the Minister may grant the department an extension, of up to 1 year, of the period specified in [section 38\(4\)\(a\)](#).
- (2) However, the Minister must not grant an extension unless the Minister is satisfied that the extension will enable the department to improve the quality of the information on strategic intentions that the department provides to its responsible Minister.
- (3) If a department is likely to be disestablished, the Minister may grant the department a waiver of the requirements in [section 38](#).
- (3A) The Minister may grant a specified agency a waiver of the requirements of [section 38](#) if the Minister is satisfied that, having regard to the functions and operations of the specified agency, it is appropriate for the information required under that section in

relation to the specified agency to be provided by the specified agency's host or relevant departments.

(3B) A waiver granted under subsection (3A) may apply for a period of up to 3 years.

(4) As soon as practicable after granting an extension or a waiver, the Minister must present to the House of Representatives notice of the extension or waiver and the Minister's reasons for granting it.

Section 41: replaced, on 1 July 2014, by [section 80](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 41(3A): inserted, on 7 August 2020, by [section 20](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 41(3B): inserted, on 7 August 2020, by [section 20](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

Reporting requirements—Annual reports

Heading: inserted, on 25 January 2005, by [section 16](#) of the Public Finance Amendment Act 2004 (2004 No 113).

43 Departments must prepare annual reports

(1) As soon as practicable after the end of each financial year, each department must prepare a report on the operations of the department for that financial year.

(1A) The annual report is not required to cover operations—

(a) of any specified agency for which the department is a host or relevant department; and

(b) on which the specified agency is required to report under this Part.

(2) Not later than 15 working days after the specified date, the department must provide the annual report and the audit report (if any)—

(a) to its responsible Minister; and

(b) if the department is a departmental agency, to the responsible Minister for the departmental agency's host department.

(3) This section does not limit any provision in any other Act that requires the chief executive of a department to provide an annual report, but the chief executive need not provide a separate report under each enactment.

Section 43: replaced, on 18 July 2013, by [section 25](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 43(1): amended, on 7 August 2020, by [section 21\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 43(1A): inserted, on 7 August 2020, by [section 21\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 43(2): replaced, on 7 August 2020, by [section 21\(3\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

44 Obligation to present and publish annual reports

- (1) The responsible Minister of a department must present the annual report of the department, and any applicable audit report, to the House of Representatives.
- (2) The responsible Minister (or the Minister referred to in subsection (3)(b), if applicable) must comply with subsection (1)—
- (a) not later than 15 working days after the specified date; or
 - (b) if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.
- (3) A Minister other than the responsible Minister may present an annual report and audit report (if any) to the House of Representatives if—
- (a) those reports are presented in a document that includes another report or other information (*see* subsection (5)); and
 - (b) that other Minister is responsible for presenting that other report or information.
- (4) A department must publish its annual report and any applicable audit report—
- (a) as soon as practicable after the annual report has been presented to the House of Representatives, but, if subsection (2)(b) applies, not later than 15 working days after the specified date; and
 - (b) in accordance with the manner (if any)—
 - (i) prescribed by regulations made under this Act; or
 - (ii) specified in instructions issued by the Minister under [section 80A](#).
- (5) The annual report of a department may be presented or published in a document that includes any other report or information, whether or not that other report or information relates to the department, but only if each report or set of information is separately identifiable within that document.
- (6) In this section,—
- audit report** means an audit report under [section 45D](#)
- specified date** means,—
- (a) in the case of a department that receives an audit report under [section 45D](#), the date on which the department receives the audit report;
 - (b) in the case of any other department, the date that is 2 months after the end of the financial year.

Section 44: replaced, on 18 July 2013, by [section 25](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 44(1): replaced, on 7 August 2020, by [section 23\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(2)(a): amended, on 7 August 2020, by [section 23\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(4): amended, on 7 August 2020, by [section 23\(3\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(4)(a): amended, on 7 August 2020, by [section 23\(4\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(5): amended, on 7 August 2020, by [section 23\(5\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(6) **audit date**: repealed, on 7 August 2020, by [section 23\(6\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 44(7) **specified date**: inserted, on 7 August 2020, by [section 23\(7\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

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45 Contents of annual report of department

(1) The annual report of a department must provide the information that is necessary to enable an informed assessment to be made of the department's performance during the financial year, including how well the department is managing the resources it controls.

(2) The annual report of a department must contain the following information in respect of the financial year to which it relates:

(a) an assessment of the department's operations (excluding operations on which any specified agency for which the department is a host or relevant department is required to report under this Part); and

(b) an assessment of the department's progress in relation to its strategic intentions; and

(c) information about the department's management of its organisational health and capability; and

(d) statements of expenses and capital expenditure for the department that comply with [section 45A](#); and

(e) annual financial statements for the department that comply with [section 45B](#); and

(f) a statement of responsibility that complies with [section 45C](#); and

(g) any other matters that relate to or affect the department's operations that the department is required, has undertaken, or wishes to report on in its annual report.

(3) The annual report of a department must also contain, in respect of the financial year after the financial year to which the annual report relates, forecast financial statements for the department that comply with [section 45BA](#).

(4) The annual report of a department must identify any specified agency for which the department is a host or relevant department.

(5) This section does not apply to a specified agency. (*See* [section 45AA](#).)

Section 45: replaced, on 1 July 2014, by [section 82](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45(2)(a): amended, on 7 August 2020, by [section 24\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45(4): amended, on 7 August 2020, by [section 24\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45(5): replaced, on 7 August 2020, by [section 24\(3\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

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45AA Contents of annual report of specified agency

(1) The annual report of a specified agency must provide the information that is necessary to enable an informed assessment to be made of the specified agency's performance during the financial year, including how well the specified agency is managing the resources it controls.

(2) The annual report of a specified agency must contain the following information in respect of the financial year to which it relates:

(a) an assessment of the specified agency's operations; and

(b) an assessment of the specified agency's progress in relation to its strategic intentions or, if the specified agency is not required to provide information on its own strategic intentions under section 38, in relation to,—

(i) in the case of a departmental agency, any of the host department's strategic intentions that are relevant to the departmental agency:

(ii) in the case of an interdepartmental executive board or an interdepartmental venture, any of its relevant departments' strategic intentions that are relevant to the specified agency; and

(c) information about the specified agency's management of its organisational health and capability; and

(d) if the specified agency administered an appropriation in that financial year, statements of expenses and capital expenditure for the specified agency that comply with section 45A; and

(e) if the specified agency managed assets or liabilities in that financial year (and does not have a waiver under [section 45AB](#)), annual financial statements for the specified agency that comply with section 45B; and

(f) if the specified agency has a waiver under [section 45AB](#), information about where financial information about the specified agency's assets, liabilities, expenditure, and revenue can be found (*see* [section 45B\(3\)](#)); and

(g) a statement of responsibility that complies with [section 45CA](#); and

(h) any other matters that relate to or affect the operations of the specified agency that the specified agency is required, has undertaken, or wishes to report on in its annual report.

(3) If the annual report must contain annual financial statements under subsection (2)(e), the annual report must also contain, in respect of the financial year after the financial year to which the annual report relates, forecast financial statements for the specified agency that comply with [section 45BA](#).

(4) The annual report must identify the specified agency's host or relevant departments.

Section 45AA: replaced, on 7 August 2020, by [section 25](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

45A Statements of expenses and capital expenditure

A department's annual report must include—

- (a) a statement of the budgeted and actual expenses and capital expenditure incurred against—
 - (i) each appropriation administered by the department; and
 - (ii) each category of expenses or non-departmental capital expenditure included in a multi-category appropriation administered by the department; and
- (b) for each appropriation administered by the department, details of the document in which the end-of-year performance information for the appropriation for the previous financial year (if required) is presented to the House of Representatives; and
- (c) a statement of expenses and capital expenditure incurred without appropriation or other authority, or in excess of an existing appropriation or other authority, in relation to the activities of, or appropriations administered by, the department, together with an explanation of the reasons for the unappropriated expenses and capital expenditure; and
- (d) a statement of the amount of any capital injection authorised, under an Appropriation Act, to be made to the department compared with the actual amount of any capital injection made to the department; and
- (e) a statement of any capital injection made to the department without authority, or in excess of an existing authority, under an Appropriation Act, together with an explanation of the reasons for the unauthorised capital injection.

Section 45A: replaced, on 1 July 2014, by [section 84](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

45B Annual financial statements

- (1) A department's annual financial statements must be prepared in accordance with generally accepted accounting practice.
- (2) In addition to the financial statements required by generally accepted accounting practice, a department's annual financial statements must include—
 - (a) any other information or explanations needed to fairly reflect the department's financial operations and financial position; and

(b) the forecast financial statements prepared at the start of the financial year, for comparison with the actual financial statements.

(c) *[Repealed]*

(d) *[Repealed]*

(3) If a specified agency for which the department is a host or relevant department has a waiver under [section 45AB](#), the financial statements must include, and disclose separately from the assets, liabilities, expenditure, and revenue of the department, the department's share (determined in accordance with generally accepted accounting practice) of the assets, liabilities, expenditure, and revenue of the specified agency.

Section 45B: substituted, on 25 January 2005, by [section 16](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 45B(2)(b): amended, on 1 July 2014, by [section 85\(1\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45B(2)(c): repealed, on 1 July 2014, by [section 85\(2\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45B(2)(d): repealed, on 1 July 2014, by [section 85\(2\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45B(3): inserted, on 7 August 2020, by [section 26](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

45C Statement of responsibility

(1) A statement of responsibility relating to the annual report of a department must include—

(aaa) a statement that, in the opinion of the department's chief executive, the annual report fairly reflects the operations, progress, and organisational health and capability of the department; and

(a) a statement of the responsibility of the department's chief executive for the preparation of the financial statements, and statements of expenses and capital expenditure, and for the judgements expressed in them; and

(b) a statement of the responsibility of the department's chief executive for having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

(c) a statement of the responsibility of the department's chief executive for ensuring that end-of-year performance information on each appropriation administered by the department is provided in accordance with [sections 19A to 19C](#), whether or not that information is included in the annual report; and

(d) a statement of the responsibility of the department's chief executive for the accuracy of any end-of-year performance information prepared by the department (*see* [section 19A](#)), whether or not that information is included in the annual report; and

(e) a statement that, in the opinion of the department's chief executive,—

- (i) the financial statements fairly reflect the financial position and operations of the department for the reporting period; and
- (ii) the forecast financial statements fairly reflect the forecast financial position and operations of the department for the financial year to which the forecast financial statements relate.

(2) *[Repealed]*

(3) The statement of responsibility must be signed and dated by the chief executive of the department.

(4) This section does not apply to a specified agency. (*See section 45CA.*)

Section 45C: replaced, on 1 July 2014, by [section 87](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45C(1)(aaa): inserted, on 7 August 2020, by [section 27\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45C(2): repealed, on 7 August 2020, by [section 27\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45C(3): replaced, on 7 August 2020, by [section 27\(3\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45C(4): inserted, on 7 August 2020, by [section 27\(4\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

45CA Statement of responsibility for specified agencies

(1) A statement of responsibility relating to the annual report of a specified agency must include—

- (a) a statement that, in the opinion of the specified agency’s chief executive, the annual report fairly reflects the operations, progress, and organisational health and capability of the specified agency; and
- (b) if the annual report contains statements of expenses and capital expenditure,—
 - (i) a statement of the responsibility of the specified agency’s chief executive for the preparation of the statements of expenses and capital expenditure and for the judgements expressed in them; and
 - (ii) a statement of the responsibility of the specified agency’s chief executive for ensuring that end-of-year performance information on each appropriation administered by the specified department is provided in accordance with [sections 19A to 19C](#), whether or not that information is included in the annual report; and
- (c) if the annual report contains financial statements,—
 - (i) a statement of the responsibility of the specified agency’s chief executive for the preparation of the financial statements and for the judgements expressed in them; and
 - (ii) a statement that, in the opinion of the specified agency’s chief executive, the financial statements fairly reflect the financial position and operations of the specified agency for the reporting period; and

(iii) a statement that, in the opinion of the specified agency's chief executive, the forecast financial statements fairly reflect the forecast financial position and operations of the specified agency for the financial year to which the forecast financial statements relate; and

(d) if the annual report contains statements of expenses and capital expenditure or financial statements (or both), a statement of the responsibility of the specified agency's chief executive for having in place a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

(e) a statement of the responsibility of the specified agency's chief executive for the accuracy of any end-of-year performance information prepared by the specified agency (*see* [section 19A](#)), whether or not that information is included in the annual report.

(2) The statement of responsibility must be signed and dated by the chief executive of the specified agency.

Section 45CA: inserted, on 7 August 2020, by [section 28](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Public Finance Act 1989 (as at 01 July 2024)

45D Audit report

(1) A department must forward to the Auditor-General—

(a) its annual financial statements, statements of expenses and capital expenditure, and any other information that the Auditor-General has agreed, or is required, to audit within 2 months after the end of each financial year; and

(b) if required to forward statements or any other information under paragraph (a), its annual report in a timely manner to enable the Auditor-General to review that report before providing the audit report required under subsection (2)(b).

(1A) The department or functional chief executive most recently identified in the supporting information for an Appropriation Act as providing end-of-year performance information on an appropriation for a financial year must, within 2 months after the end of that financial year, forward to the Auditor-General—

(a) the end-of-year performance information; and

(b) the document in which that information will be presented to the House of Representatives and published (if not already provided).

(2) The Auditor-General must—

(a) audit the statements referred to in subsection (1)(a) and the information referred to in subsections (1)(a) and (1A); and

(b) provide an audit report on them to the department or functional chief executive within 3 months after the end of each financial year.

Section 45D: inserted, on 25 January 2005, by [section 16](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 45D(1)(a): amended, on 1 July 2014, by [section 88\(1\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45D(1)(b): amended, on 7 August 2020, by [section 29\(1\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45D(1A): replaced, on 7 August 2020, by [section 29\(2\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45D(2)(a): amended, on 1 July 2014, by [section 88\(3\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45D(2)(b): amended, on 7 August 2020, by [section 29\(3\)](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Section 45D(2)(b): amended, on 1 July 2014, by [section 88\(4\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Public Finance Act 1989 (as at 01 July 2024)

Miscellaneous

Heading: inserted, on 25 January 2005, by [section 16](#) of the Public Finance Amendment Act 2004 (2004 No 113).

45E Application of this Part to intelligence and security departments

(1) This Part applies to an intelligence and security department, subject to subsection (2) and with the following (and any other necessary) modifications:

(a) [section 40](#) must be read as if the discretion conferred on the Minister by [section 40\(2\)\(d\)\(ii\)](#) were only able to be exercised with the agreement of the responsible Minister; and

(b) *[Repealed]*

(c) [section 221](#) of the Intelligence and Security Act 2017 is substituted for [sections 43 and 44](#).

(d) *[Repealed]*

(2) [Section 39](#) (which requires information provided by a department on its strategic intentions to be presented to the House of Representatives and to be published) does not apply to an intelligence and security department.

(3) However, subsection (2) does not affect the obligations of the responsible Minister of an intelligence and security department under [section 39\(3\)](#).

(4) [Section 45A\(d\) and \(e\)](#) (which requires statements of expenses and capital expenditure to include statements relating to capital injections) does not apply to an intelligence and security department.

(5) *See also* [section 82A](#).

Section 45E: inserted, on 25 January 2005, by [section 16](#) of the Public Finance Amendment Act 2004 (2004 No 113).

Section 45E(1)(a): replaced, on 28 September 2017, by [section 324\(1\)](#) of the Intelligence and Security Act 2017 (2017 No 10).

Section 45E(1)(b): repealed, on 28 September 2017, by [section 324\(2\)](#) of the Intelligence and Security Act 2017 (2017 No 10).

Section 45E(1)(c): replaced, on 28 September 2017, by [section 324\(3\)](#) of the Intelligence and Security Act 2017 (2017 No 10).

Section 45E(1)(d): repealed, on 1 July 2014, by [section 89\(4\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45E(2): replaced, on 1 July 2014, by [section 89\(5\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45E(3): inserted, on 1 July 2014, by [section 89\(5\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45E(4): inserted, on 1 July 2014, by [section 89\(5\)](#) of the Public Finance Amendment Act 2013 (2013 No 50).

Section 45E(5): inserted, on 7 August 2020, by [section 30](#) of the Public Finance Amendment Act 2020 (2020 No 41).

Crown Entities Act 2004 (as at 01 July 2024)

Part 4

Crown entity reporting and financial obligations

Subpart 1—Interpretation for this Part

136 Interpretation for this Part

(1) In this Part, unless the context otherwise requires,—
borrow,—

(a) includes entering into hire purchase agreements or agreements that are of the same or a substantially similar nature; and

(b) includes entering into finance lease arrangements or arrangements that are of the same or a substantially similar nature; and

(c) includes accepting debt on assignment from other persons; but

(d) does not include the purchase of goods or services on credit or the obtaining of an advance by the use of a credit card or by a supplier supplying credit for the purchase of goods or services, for a period of 90 days or less from the date the credit card is used or the credit is supplied

class of outputs or **class** has the meaning set out in [section 2\(1\)](#) of the Public Finance Act 1989

Crown entity group means a group comprising—

(a) a Crown entity; and

(b) its Crown entity subsidiaries, other than multi-parent subsidiaries; and

(c) any entity that is its subsidiary for the purpose of any financial reporting standard that applies to the Crown entity under generally accepted accounting practice

debt security has the same meaning as in [section 8](#) of the Financial Markets Conduct Act 2013

derivative—

(a) has the same meaning as in [section 8](#) of the Financial Markets Conduct Act 2013; and

(b) includes a foreign exchange transaction

financial product means any of the following:

(a) an equity security (within the meaning given in the [Financial Markets Conduct Act 2013](#)):

(b) a debt security:

(c) a managed investment product within the meaning of that Act (except a managed investment product in a superannuation scheme, a workplace savings scheme, or a KiwiSaver scheme):

(d) a derivative

financial year means,—

(a) in relation to a school board or a tertiary education institution, an academic year as defined in [section 10\(1\)](#) of the Education and Training Act 2020; and

(b) in relation to any other Crown entity, the 12 months ending on the close of 30 June or any other date determined for that entity by the Minister of Finance

forecast financial statements has the meaning set out in [section 2\(1\)](#) of the Public Finance Act 1989

generally accepted accounting practice has the same meaning as in [section 8](#) of the Financial Reporting Act 2013

next Budget day means the day on which the Minister of Finance will next deliver a Budget under the [Public Finance Act 1989](#)

outputs—

(a) means the goods or services that are supplied by a Crown entity; but

(b) does not include goods and services that are produced for purchase or consumption solely within the Crown entity group

pre-Budget period means—

(a) the period of 3 months ending when the Minister of Finance next delivers a Budget under the [Public Finance Act 1989](#); or

(b) if the Minister of Finance gives less than 3 months' notice of the next Budget day, the period commencing on the day on which the Minister of Finance gives that notice and ending when the Minister of Finance delivers the Budget

public security has the meaning set out in [section 2\(1\)](#) of the Public Finance Act 1989

registered bank has the meaning set out in [section 2](#) of the Banking (Prudential Supervision) Act 1989

registered building society means a building society within the meaning of the [Building Societies Act 1965](#) that is registered on the register of building societies kept under that Act

reportable class of outputs, in respect of a financial year, means a class of outputs—

(a) that the Crown entity proposes to supply in the financial year; and

(b) that is directly funded (in whole or in part) by the Crown in accordance with an appropriation for the purpose, or by grants distributed under any Act, or by levies, fees, or charges prescribed by or under any Act; and

(c) that is not exempted for that financial year under [section 149F](#) **working day** has the meaning set out in [section 2\(1\)](#) of the Public Finance Act 1989.

(2) Any term or expression that is defined in the [Public Finance Act 1989](#) and used, but not defined, in this Part has the same meaning as in the [Public Finance Act 1989](#).

Section 136(1) **Crown entity group** paragraph (b): replaced, on 1 July 2014, by [section 47\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 136(1) **debt security**: replaced, on 1 December 2014, by [section 150](#) of the Financial Markets (Repeals and Amendments) Act 2013 (2013 No 70).

Section 136(1) **derivative**: inserted, on 1 December 2014, by [section 150](#) of the Financial Markets (Repeals and Amendments) Act 2013 (2013 No 70).

Section 136(1) **derivative transaction**: repealed, on 1 December 2014, by [section 150](#) of the Financial Markets (Repeals and Amendments) Act 2013 (2013 No 70).

Section 136(1) **financial product**: inserted, on 1 December 2014, by [section 150](#) of the Financial Markets (Repeals and Amendments) Act 2013 (2013 No 70).

Section 136(1) **financial year** paragraph (a): replaced, on 1 August 2020, by [section 668](#) of the Education and Training Act 2020 (2020 No 38).

Section 136(1) **generally accepted accounting practice**: replaced, on 1 April 2014, by [section 126](#) of the Financial Reporting (Amendments to Other Enactments) Act 2013 (2013 No 102).

Section 136(1) **next Budget day**: inserted, on 1 July 2014, by [section 47\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 136(1) **pre-Budget period**: inserted, on 1 July 2014, by [section 47\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 136(1) **registered bank**: amended, on 1 July 2022, by [section 300\(1\)](#) of the Reserve Bank of New Zealand Act 2021 (2021 No 31).

Section 136(1) **reportable class of outputs**: inserted, on 1 July 2014, by [section 47\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 136(1) **security**: repealed, on 1 December 2014, by [section 150](#) of the Financial Markets (Repeals and Amendments) Act 2013 (2013 No 70).

Crown Entities Act 2004 (as at 01 July 2024)

Subpart 2—Reporting obligations

137 Application of this subpart

(1) This subpart applies in respect of financial years commencing on or after 1 January 2006.

(2) Subsection (1) is subject to [section 198](#).

Crown Entities Act 2004 (as at 01 July 2024)

Planning: statement of intent

138 Purpose of statement of intent

The purpose of a statement of intent is to promote the public accountability of a Crown entity by—

- (a) enabling the Crown to participate in the process of setting the Crown entity’s strategic intentions and medium-term undertakings;
- (b) setting out for the House of Representatives those intentions and undertakings;
- (c) providing a base against which the Crown entity’s actual performance can later be assessed.

Section 138(a): amended, on 1 July 2014, by [section 48](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

139 Obligation to prepare statement of intent

- (1) A Crown entity must provide to its responsible Minister a statement of intent for the Crown entity that complies with this section and [section 141](#).
- (2) A statement of intent must relate to the forthcoming financial year and at least the following 3 financial years.
- (3) The Crown entity must provide a statement of intent at least once in every 3-year period.
- (4) This section applies unless the Crown entity is exempted from the requirements of this section by or under this or another Act.

Section 139: replaced, on 1 July 2014, by [section 49](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

139A Minister may require Crown entity to prepare new statement of intent at any time

- (1) A Crown entity’s responsible Minister may, if the Minister considers it necessary or desirable, require the Crown entity to provide a new statement of intent at any time.
- (2) A statement of intent provided under this section must comply with [sections 139](#) and [141](#).
- (3) Despite [section 139\(2\)](#), the Minister may require the new statement of intent to relate to the remainder of the current financial year in addition to the forthcoming financial year and at least the following 3 financial years.

Section 139A: inserted, on 1 July 2014, by [section 49](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

139B Minister may grant extension of time for, or waive, requirement to provide statement of intent

- (1) If a Crown entity is likely to have a significant change in the nature or scope of its functions, the responsible Minister may grant the Crown entity an extension, of up to 1 year, of the period specified in [section 139\(3\)](#).
- (2) However, the responsible Minister must not grant an extension unless he or she is satisfied that the extension will enable the entity to improve the quality of the statement of intent that it provides.
- (3) If a Crown entity is likely to be disestablished or, in the case of a Crown entity company, removed from the register under the Companies Act 1993, the responsible Minister may grant the entity a waiver of the requirements in [section 139](#).
- (4) If the responsible Minister grants an extension or a waiver under this section,—
- (a) the responsible Minister must, as soon as practicable after granting the extension or waiver, notify the Crown entity of the extension or waiver and the Minister’s reasons for granting it; and
 - (b) the Crown entity must, as soon as practicable after receiving notice under paragraph (a), publish notice of the extension or waiver, and the Minister’s reasons for granting it, on an Internet site maintained by or on behalf of the Crown entity; and
 - (c) the Crown entity must include, in the next annual report that it provides to its responsible Minister for presentation to the House of Representatives under [section 150](#), a statement of the extension or waiver and the Minister’s reasons for granting it.

Section 139B: inserted, on 1 July 2014, by [section 49](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 139B(4)(c): amended, on 17 December 2016, by [section 41](#) of the Statutes Amendment Act 2016 (2016 No 104).

Crown Entities Act 2004 (as at 01 July 2024)

141 Content of statement of intent

- (1) A statement of intent must, for the period to which it relates, set out the strategic objectives that the entity intends to achieve or contribute to (**strategic intentions**).
- (2) A statement of intent must also, for the period to which it relates,—
- (a) explain the nature and scope of the entity’s functions and intended operations:
 - (b) explain how the entity intends to manage its functions and operations to meet its strategic intentions:
 - (c) explain how the entity proposes to manage its organisational health and capability:

- (d) explain how the entity proposes to assess its performance:
- (e) identify any process to be followed for the purpose of section 100:
- (f) set out and explain any other matters—
 - (i) that are reasonably necessary to achieve an understanding of the entity’s strategic intentions and capability:
 - (ii) that the entity is required to include in its statement of intent under this Act or another Act.

(3) A statement of intent—

- (a) must be in writing, be dated, and be signed on behalf of the board by 2 members or, in the case of a corporation sole, by the sole member; and
- (b) is a final statement of intent when it has been signed in accordance with paragraph (a).

Section 141: replaced, on 1 July 2014, by [section 51](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

144 Application and term of statement of intent

A statement of intent is in force—

- (a) from the later of—
 - (i) the date on which the final statement of intent is provided to the responsible Minister; or
 - (ii) the first day of the period to which the statement of intent relates; and
- (b) until a new statement of intent is in force in relation to that entity (despite the end of any financial year to which the statement relates); and
- (c) with any amendments that are made as described in [section 147](#) or [section 148](#).

Section 144(b): amended, on 1 July 2014, by [section 53](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

149 Obligation to publish and present statement of intent

- (1) A Crown entity must, as soon as practicable after providing a final statement of intent to its responsible Minister, publish the statement of intent on an Internet site maintained by or on behalf of the entity.
- (2) Despite subsection (1), if a final statement of intent relates to a period commencing on or after the next Budget day, the responsible Minister may require the Crown entity not to publish the statement in the pre-Budget period.

(3) The responsible Minister (or another Minister, if subsection (5) applies) must present a copy of the final statement of intent to the House of Representatives—

(a) in the same document as the entity's annual report for the financial year before the first full financial year to which the statement of intent relates (*see* section 150); or

(b) in any other document presented on or before the date on which the annual report described in paragraph (a) is presented.

(4) An entity's statement of intent may be presented or published in a document that includes any other statement or information, whether or not that other statement or information relates to the entity, but only if each statement or set of information is separately identifiable within that document.

(5) A Minister other than the responsible Minister may present an entity's statement of intent to the House of Representatives if—

(a) the statement is presented in a document that includes another statement or other information; and

(b) that other Minister is responsible for presenting that other statement or information.

Section 149: replaced, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

Planning: statement of performance expectations

Heading: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

149B Purpose of statement of performance expectations

The purpose of a statement of performance expectations for a Crown entity is to—

(a) enable the responsible Minister to participate in the process of setting annual performance expectations; and

(b) enable the House of Representatives to be informed of those expectations; and

(c) provide a base against which actual performance can be assessed.

Section 149B: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

149C Obligation to prepare statement of performance expectations

(1) Before the start of each financial year, a Crown entity must prepare a statement of performance expectations for that financial year that complies with [section 149E](#).

(2) However, if the Crown entity does not propose to supply any reportable classes of outputs in that financial year, the entity's statement of performance expectations—

- (a) must comply with [section 149E\(1\)\(b\) to \(d\) and \(3\)](#); but
- (b) need not comply with [section 149E\(1\)\(a\) or \(2\)](#).

Section 149C: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

149E Content of statement of performance expectations

(1) Each statement of performance expectations must, in relation to a Crown entity and a financial year,—

- (a) identify each reportable class of outputs for the financial year; and
- (b) identify each exemption granted under [section 149F\(1\)\(a\)](#) for the financial year; and
- (c) state whether the entity proposes to supply any class of outputs in the financial year that is not a reportable class of outputs; and
- (d) contain forecast financial statements that comply with [section 149G](#).

(2) For each reportable class of outputs, the statement of performance expectations must—

- (a) include a concise explanation of what the class of outputs is intended to achieve; and
- (b) identify the expected revenue and proposed expenses for the class of outputs; and
- (c) include a concise explanation of how the performance of the class of outputs will be assessed.

(3) A statement of performance expectations—

- (a) must comply with generally accepted accounting practice; and
- (b) must be in writing, be dated, and be signed on behalf of the board by 2 members or, in the case of a corporation sole, by the sole member; and
- (c) is a final statement of performance expectations when it has been signed in accordance with paragraph (b).

Section 149E: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

149F Exemption for certain outputs

(1) The Minister of Finance may exempt, for 1 or more financial years or until further notice, 1 or more classes of outputs from—

(a) any statement of performance expectations required under [section 149C](#) or [149D](#); or

(b) any statement of performance required under [section 151\(1\)\(b\)](#).

(2) The Minister of Finance must not exempt a class of outputs from a statement of performance expectations or a statement of performance unless he or she is satisfied that—

(a) the class of outputs is not material to the statement; or

(b) the class of outputs will be adequately reported on to the House of Representatives by a Minister, a department, or another public entity; or

(c) for any other reason, the exemption does not unreasonably compromise accountability for the performance of the Crown entity.

Section 149F: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

149L Obligation to publish and present statement of performance expectations

(1) A Crown entity must, as soon as practicable after providing a final statement of performance expectations to its responsible Minister, publish the statement on an Internet site maintained by or on behalf of the entity.

(2) However, if the final statement of performance expectations relates to a period commencing on or after the next Budget day, the responsible Minister may require the Crown entity not to publish the statement in the pre-Budget period.

(3) The responsible Minister (or another Minister, if subsection (5) applies) must present a copy of the final statement of performance expectations to the House of Representatives—

(a) in the same document as the entity's annual report for the previous financial year (*see* [section 150](#)); or

(b) in any other document presented on or before the date on which the annual report described in paragraph (a) is presented.

(4) An entity's statement of performance expectations may be presented or published in a document that includes any other statement or information, whether or not that other statement or information relates to the entity, but only if each statement or set of information is separately identifiable within that document.

(5) A Minister other than the responsible Minister may present an entity's statement of performance expectations to the House of Representatives if—

(a) the statement is presented in a document that includes another statement or other information; and

(b) that other Minister is responsible for presenting that other statement or information.

Section 149L: inserted, on 1 July 2014, by [section 58](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 149L(3): amended, on 17 December 2016, by [section 42](#) of the Statutes Amendment Act 2016 (2016 No 104).

Crown Entities Act 2004 (as at 01 July 2024)

Reporting: annual report

150 Obligation to prepare, present, and publish annual report

(1) A Crown entity must—

(a) as soon as practicable after the end of each financial year, prepare a report on the affairs of the Crown entity; and

(b) provide the report to its responsible Minister no later than 15 working days after receiving the audit report provided under [section 156](#).

(2) *[Repealed]*

(3) A responsible Minister of a Crown entity (or another Minister, if subsection (6) applies) must present the entity's annual report to the House of Representatives within 5 working days after the responsible Minister receives the annual report or, if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.

(4) A Crown entity must publish its annual report as soon as practicable after it has been presented to the House of Representatives, but in any case not later than 10 working days after the annual report is received by the Minister, in a manner consistent with any instructions given under [section 174](#).

(5) An entity's annual report may be presented or published in a document that includes any other report or information, whether or not that other report or information relates to the entity, but only if each report or set of information is separately identifiable within that document.

(6) A Minister other than the responsible Minister may present an entity's annual report to the House of Representatives if—

(a) the report is presented in a document that includes another report or other information; and

(b) that other Minister is responsible for presenting that other report or information.

Compare: 1989 No 44 s 41I

Section 150(1)(a): amended, on 1 July 2014, by [section 59\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 150(2): repealed, on 1 July 2014, by [section 59\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 150(3): replaced, on 18 July 2013, by [section 36\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 150(5): inserted, on 18 July 2013, by [section 36\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 150(6): inserted, on 18 July 2013, by [section 36\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

151 Form and content of annual report

(1) An annual report must contain the following information and reports in respect of the financial year to which it relates:

- (a) information on operations that complies with subsection (2); and
- (b) a statement of performance in accordance with [section 153](#); and
- (c) the annual financial statements for the entity in accordance with [section 154](#); and
- (d) a statement of responsibility in accordance with [section 155](#); and
- (e) the audit report in accordance with [section 156](#); and
- (f) any new direction given to the entity by a Minister in writing under any enactment during that financial year, as well as other such directions that remain current; and
- (g) information on compliance with its obligation to be a good employer (including its equal employment opportunities programme); and
- (h) information required by [section 152](#) (which relates to payments in respect of members, committee members, and employees during that financial year); and
- (i) information required by [section 20\(3\)](#) (which relates to the enforcement of certain natural person transactions); and
- (j) information required by [section 68\(6\)](#) (which relates to permission to act despite being interested in a matter); and
- (k) any matters that relate to or affect the entity's operations that the entity is otherwise required, or has undertaken, or wishes to report on in its annual report.

(1A) However, subsection (1)(b) does not apply unless the Crown entity supplied 1 or more reportable classes of outputs in that financial year.

(1B) An annual report may contain end-of-year performance information that the Crown entity is required to prepare under [section 19A](#) of the Public Finance Act 1989.

(2) The annual report must provide the information that is necessary to enable an informed assessment to be made of the entity's operations and performance for that financial year, including an assessment of the entity's progress in relation to its strategic intentions as set out in the most recent statement of intent.

(3) An annual report must be in writing, be dated, and be signed on behalf of the board by 2 members or, in the case of a corporation sole, by the sole member.

Section 151(1)(b): amended, on 1 July 2014, by [section 61\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 151(1)(c): replaced, on 1 July 2014, by [section 61\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 151(1)(f): replaced, on 18 July 2013, by [section 37](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 151(1A): inserted, on 1 July 2014, by [section 61\(3\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 151(1B): inserted, on 1 July 2014, by [section 61\(3\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 151(2): amended, on 1 July 2014, by [section 61\(4\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

152 Disclosure of payments in respect of members, committee members, and employees

(1) The annual report must include, in respect of the Crown entity,—

(a) for each member, the total value of the remuneration (other than compensation or other benefits referred to in paragraph (d)) paid or payable to the member in his or her capacity as a member from the entity during that financial year; and

(b) for each committee member who is not a board member or an employee, the total value of the remuneration (other than compensation or other benefits referred to in paragraph (d)) paid or payable to the member in his or her capacity as a committee member from the entity during that financial year; and

(c) the number of employees to whom, during the financial year, remuneration (other than compensation or other benefits referred to in paragraph (d)) was paid or payable in their capacity as employees, the total value of which is or exceeds \$100,000 per annum, and the number of those employees in brackets of \$10,000; and

(d) the total value of any compensation or other benefits paid or payable to persons who ceased to be members, committee members, or employees during the financial year in relation to that cessation and the number of persons to whom all or part of that total was paid or payable; and

(e) details of any indemnity provided by the entity during the financial year to any member, office holder, or employee; and

(f) details of any insurance cover effected by the entity during the financial year in respect of the liability or costs of any member, office holder, or employee.

(1A) Despite [section 156A](#), the annual report of a Crown entity that has 1 or more subsidiaries must include the information specified in subsection (1) in respect of each subsidiary as well as in respect of the Crown entity.

(2) In subsection (1), **member** and **office holder** and **employee** include a person who was a member or office holder or employee at any time after the commencement of this Act but who is no longer a member, office holder, or employee.

Compare: 1989 No 44 s 41I; 1993 No 105 s 211

Section 152(1): amended, on 1 July 2014, by [section 62\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 152(1)(a): amended, on 1 July 2014, by [section 62\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 152(1)(b): amended, on 1 July 2014, by [section 62\(3\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 152(1A): inserted, on 1 July 2014, by [section 62\(4\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

153 Form and content of statement of performance

A statement of performance must, in relation to a Crown entity and a financial year,—

- (a) be prepared in accordance with generally accepted accounting practice; and
- (b) describe each reportable class of outputs for the financial year; and
- (c) include, for each reportable class of outputs identified in the entity’s statement of performance expectations for the financial year,—
 - (i) the standards of delivery performance achieved by the entity, as compared with the forecast standards included in the entity’s statement of performance expectations for the financial year; and
 - (ii) the actual revenue earned and output expenses incurred, as compared with the expected revenues and proposed output expenses included in the entity’s statement of performance expectations for the financial year.

Section 153: replaced, on 1 July 2014, by [section 63](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

154 Annual financial statements

(1) As soon as practicable after the end of each financial year, a Crown entity must prepare financial statements in relation to the entity for that financial year.

(2) *[Repealed]*

(3) The financial statements must—

- (a) comply with generally accepted accounting practice; and
- (b) include any other information or explanations needed to fairly reflect the financial operations and financial position; and

(c) include the forecast financial statements prepared at the start of the financial year, for comparison with the actual financial statements.

Section 154(1): replaced, on 1 July 2014, by [section 64](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 154(2): repealed, on 1 July 2014, by [section 64](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

155 Statement of responsibility

The statement of responsibility must—

(a) contain a statement of the signatories' responsibility for the preparation of the financial statements and statement of performance and for the judgments in them; and

(b) contain a statement of the signatories' responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting; and

(c) contain a statement that, in the opinion of the signatories, the financial statements and statement of performance for the financial year fairly reflect the financial position and operations of the Crown entity; and

(ca) contain a statement of the signatories' responsibility for any end-of-year performance information provided by the Crown entity under [section 19A](#) of the Public Finance Act 1989, whether or not that information is included in the Crown entity's annual report; and

(d) be dated and signed on behalf of the board by 2 members or, in the case of a corporation sole, by the sole member.

Section 155(a): amended, on 1 July 2014, by [section 65\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 155(c): amended, on 1 July 2014, by [section 65\(1\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 155(ca): inserted, on 1 July 2014, by [section 65\(2\)](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Crown Entities Act 2004 (as at 01 July 2024)

156 Audit report

(1) A Crown entity must forward to the Auditor-General,—

(a) within 3 months after the end of each financial year,—

(i) the Crown entity's annual financial statements and statement of performance (if applicable); and

- (ii) any end-of-year performance information that the Crown entity is required to provide under [section 19A](#) of the Public Finance Act 1989; and
- (iii) any other information that the Auditor-General has agreed, or is required, to audit; and

(b) the Crown entity’s annual report in a timely manner to enable the Auditor-General to review that report before providing the audit report required under subsection (2)(b).

(2) The Auditor-General must—

- (a) audit the statements and information referred to in subsection (1)(a); and
- (b) provide an audit report to the Crown entity within 4 months after the end of each financial year.

(3) *[Repealed]*

(4) *[Repealed]*

(5) *[Repealed]*

Section 156: replaced, on 1 July 2014, by [section 66](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Section 156(3) heading: repealed, at the close of 30 June 2023, by section 156(5).

Section 156(3): repealed, at the close of 30 June 2023, by section 156(5).

Section 156(4): repealed, at the close of 30 June 2023, by section 156(5).

Section 156(5): repealed, at the close of 30 June 2023, by section 156(5).

Crown Entities Act 2004 (as at 01 July 2024)

Application of this subpart to Crown entity groups

Heading: inserted, on 1 July 2014, by [section 67](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

156A Application of this subpart to Crown entity groups

(1) A Crown entity (**entity A**) that is a member of a Crown entity group need not comply with this subpart except as required by this section and [section 156B](#).

(2) Entity A must prepare a statement or report under this subpart if, at the relevant time,—

- (a) entity A has 1 or more subsidiaries; and
- (b) entity A is not a subsidiary of another Crown entity.

(3) If entity A is required by this section to prepare a statement or report, this subpart—

- (a) must be read as if it required the statement or report to include consolidated information in respect of the Crown entity group comprising entity A and its subsidiaries, rather than information in respect of entity A only; and
- (b) otherwise applies with any necessary modifications.

(4) In this section,—

relevant time, in relation to a statement or report, means—

- (a) the end of the period to which the statement or report relates; or
- (b) if the statement or report relates to a period that includes a future period, the time when the statement or report is provided to entity A's responsible Minister

statement or report means any of the following:

- (a) statement of intent (*see* [section 139](#)):
- (b) statement of performance expectations (*see* [section 149C](#)):
- (c) forecast financial statements (*see* [section 149G](#)):
- (d) annual report (*see* [section 150](#)):
- (e) statement of performance (*see* [section 153](#)):
- (f) annual financial statements (*see* [section 154](#))

subsidiary means a subsidiary within the meaning of paragraph (b) or (c) of the definition of Crown entity group in [section 136\(1\)](#).

Section 156A: inserted, on 1 July 2014, by [section 67](#) of the Crown Entities Amendment Act 2013 (2013 No 51).

Mapping of paragraphs from NZASB ED 2016-6 to PBE FRS 48

NZASB ED 2016-6	PBE FRS 48
<p>1. The objective of this [draft] Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.</p>	<p>1. The objective of this Standard is to establish principles and requirements for an entity to present service performance information that is useful for accountability and decision-making purposes in a general purpose financial report.</p>
<p>2. Users of general purpose financial reports rely on those reports for information that is useful for accountability and decision making. Because public benefit entities have a primary objective of providing goods or services for community or social benefit their general purpose financial reports need to include service performance information. Service performance refers to the entity’s delivery of goods and services with the intention of having an impact on society or segments of society.</p>	<p>IN4 The primary users of general purpose financial reports of public benefit entities are resource providers (for example, taxpayers, ratepayers, donors, grantors and lenders) and service recipients, and their representatives. Users of general purpose financial reports of public benefit entities rely on those reports for information that is useful for accountability and decision making. Financial statements provide some, but not all, of the information users require.</p> <p>2. Service performance information is information about what the entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information</p>
<p>3. The selection and presentation of aggregated service performance information requires judgement. In making decisions about what to report and how to present information an entity should consider the main groups of users and their information needs.</p>	<p>IN5 Although the exact nature of users’ interests in an entity’s service performance information will be influenced by a number of factors (for example, the nature of an entity’s functions, the extent to which it can influence society or segments of society, and the nature of its agreements with funders and other entities) they generally have some common interests. They are generally interested in whether an entity has used funds for the purpose intended, what it has achieved with the resources available to it, and whether it could have done more with those resources. They may also be interested in forming judgements about what an entity could do with additional resources.</p>
<p>4. There are two general categories of users of service performance information, being funders and service recipients. In the case of central</p>	<p>(No direct analogue)</p>

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<p>government entities, users are likely to be other government agencies, Members of Parliament, and specific service recipients or taxpayers (both individually and collectively). In the case of local government entities, users are likely to be central government, lenders, and specific service recipients or ratepayers (both individually and collectively). In the case of not-for-profit entities, users are likely to be those purchasing goods and services from the entity on behalf of the community or groups of the community; those providing other forms of funding including philanthropic bodies, individual donors, lenders and, where applicable, members; and service recipients (both individually and collectively).</p>	
<p>5. From an accountability perspective users are interested in whether the entity used funds for the purpose intended (or where funds were provided for general purposes, in accordance with the entity's stated objectives) and what the entity achieved.</p>	<p>(No direct analogue)</p>
<p>6. From a decision-making perspective: (a) Funders may want information to predict the capacity of an entity to deliver services from its existing resource base or to form judgements about the effectiveness with which an entity might employ additional resources; and (b) Members of a not-for-profit entity might need to decide whether to support an increase in membership fees, or whether to continue to belong to an entity.</p>	<p>(No direct analogue)</p>
<p>7. Such decisions often require the use of both financial and non-financial information as users are interested both in how well an entity has performed, and in forming a view on whether it could have done more with the resources available.</p>	<p>(No direct analogue)</p>

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<p>8. The type of service performance information that is useful for accountability and decision making will differ between entities and some users will be more interested in certain aspects of service performance than others. For example, the nature of an entity’s accountability for service performance may be influenced by legislation, the extent to which an entity can influence outcomes, and the nature of agreements between funders and an entity or between an entity and other entities that it uses to deliver goods and services.</p>	<p>(No direct analogue)</p>
<p>9. This [draft] Standard requires that an entity report on three dimensions of service performance, but it acknowledges that entities will need to exercise judgement in deciding what to report in respect of each dimension. In deciding what to report an entity will be guided by the qualitative characteristics.</p>	<p>(No direct analogue)</p>
<p>10. The dimensions of service performance which form the basis of the requirements in this [draft] Standard are: (a) “What did the entity do?”: What goods and services (referred to as outputs) did the entity provide during the period? An entity reports on this dimension of service performance by providing information about the outputs provided by an entity during the period.</p> <p>(b) “Why did the entity do it?”: What outcomes did the entity seek to influence? An entity reports on this dimension of service performance by providing information about the outcomes that it seeks to influence and how its outputs contribute to those outcomes.</p> <p>(c) “What impact did the entity have?”: An entity reports on this dimension of service performance by providing information about the extent to which it has evidence of its influence on the groups or environment that it is seeking to change.</p>	<p>(No direct analogue)</p>

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<p>11. This [draft] Standard requires that all entities within the scope of the [draft] Standard report on the outputs that they deliver. Therefore, entities need to identify the outputs that they should report on. Good output reporting requires clear specification of outputs and appropriate grouping of outputs into output classes. The reporting entity concept is relevant for both financial statements and service performance reporting. However, in the case of service performance reporting, it may be appropriate to report on some information that falls outside the boundary of the reporting entity.</p>	<p>(No direct analogue)</p>
<p>12. Some entities deliver outputs directly to individuals, entities or groups. Other entities do not deliver outputs in such a direct manner. For example, public benefit entities sometimes: (a) Work together with other entities that share common objectives to deliver outputs; (b) Contract other entities to deliver outputs on their behalf; or (c) Make grants to other entities to be used by those entities in delivering outputs.</p>	<p>(No direct analogue)</p>
<p>13. When an entity delivers outputs in conjunction with another entity or collaborates with another entity in seeking to influence outcomes, it needs to consider the most appropriate and meaningful way of reporting on the outputs. For example, it may be appropriate to report on its portion of the outputs and the impact of those outputs, or it may be appropriate to report on the collective outputs and impact of the collective outputs, and explain its contribution</p>	<p>(No direct analogue)</p>
<p>14. When an entity has agreed to deliver outputs and then contracts with another entity to deliver those outputs on its behalf, the first entity remains accountable for the delivery of those outputs. Therefore, the</p>	<p>(No direct analogue)</p>

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<p>first entity is responsible for ensuring that it reports performance accordingly.</p>	
<p>15. When an entity makes grants to other entities to be used by those entities in delivering outputs, the entity will need to carefully consider its reporting on outputs. Some grants have no conditions or restrictions attached and can be used by the entity in receipt of the grant at its discretion. Other grants may be subject to detailed conditions that specify the outputs that are to be delivered by the entity in receipt of the grant. The entity will need to consider its purpose and the nature of the grants that it makes in deciding how to report outputs. The outputs reported may be the amounts distributed, or more detailed information about the purpose of the grants.</p>	<p>(No direct analogue)</p>
<p>16. This [draft] Standard requires that all entities explain the outcomes that they seek to influence, how they consider their outputs contribute to those outcomes, and, where appropriate, what impacts the entity has had on those outcomes. However, the nature of an entity’s accountability for service performance will determine what it should report on. For example, an entity established to support another entity is accountable for how well it has supported the other entity, but it is unlikely to be accountable for its impact on the outcomes that the other entity is seeking to influence.</p>	<p>(No direct analogue)</p>
<p>17. There are a number of reasons why explaining the link between an entity’s outputs and the outcomes that it seeks to influence or reporting on the extent to which an entity has influenced outcomes can be difficult. The two main reasons are the difficulty of identifying causal relationships, and the difficulty of obtaining information that is useful for accountability and decision making and can be measured in a way that achieves the qualitative characteristics.</p>	<p>(No direct analogue)</p>

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<p>18. Factors that may make it difficult for an entity to report on impacts include: (a) The fact that an output may contribute to more than one outcome or that multiple outputs may contribute to an outcome; (b) The existence of other entities that are also seeking to influence the same or similar outcomes(c) The impact of factors outside the control of the entity (for example, economic or environmental conditions) on outcomes; and (d) The long time frames that may be required to assess the impact of an entity's outputs on outcomes.</p>	<p>(No direct analogue)</p>
<p>19. These difficulties can be partly addressed by reporting on intermediate outcomes as well as ultimate outcomes. Intermediate outcomes are more specific. They may have a shorter time frame than ultimate outcomes or they may relate to a more specific target group or target area. An entity may identify a number of intermediate outcomes that, taken together or in sequence, are expected to contribute to the ultimate outcome which the entity is seeking to influence. An explanation of the links between outputs, intermediate outcomes and ultimate outcomes, including the potential impact of other entities or external factors, is sometimes referred to as an impact chain or a logic model.</p>	<p>(No direct analogue)</p>
<p>20. In reporting on impacts, an entity should consider the impact of its purchases of outputs from other entities or its financial support of other entities.</p>	<p>(No direct analogue)</p>
<p>21. This [draft] Standard applies to all Tier 1 and Tier 2 not-for-profit public benefit entities. It also applies to Tier 1 and Tier 2 public sector public benefit entities which are required by legislation to provide a statement of service performance (by whatever name called)</p>	<p>3. This Standard applies to: (a) All Tier 1 and Tier 2 not-for-profit public benefit entities; and (b) Tier 1 and Tier 2 public sector public benefit entities required by legislation to provide information in respect of service performance in accordance with generally accepted accounting practice (GAAP).</p>

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	If an entity is required by legislation to report service performance information on only some of its activities, this Standard applies only to those activities.
22. Given the usefulness of service performance information for users of general purpose financial reports, all Tier 1 and Tier 2 public sector public benefit entities are encouraged to report service performance information in accordance with this [draft] Standard.	5. Nonetheless, application of the principles and requirements of this Standard to service performance information outside the scope of this Standard is encouraged to the extent applicable.
23. This [draft] Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 Interim Financial Reporting, PBE FRS 42 Prospective Financial Statements, and PBE FRS 43 Summary Financial Statements establish requirements for service performance information presented in general purpose reports that include interim financial statements, prospective financial statements and summary financial statements respectively. This [draft] Standard does not apply to other non-financial information presented in a general purpose financial report (for example, information about an entity’s performance relating to its environmental goals or values), unless this information is directly linked to its service performance.	4. This Standard does not apply to service performance information that is condensed, prospective or summarised. PBE IAS 34 Interim Financial Reporting, and PBE FRS 43 Summary Financial Statements establish requirements for service performance information presented in general purpose financial reports that include interim financial statements and summary financial statements respectively. This Standard does not apply to other non-financial information presented in a general purpose financial report (for example, information about an entity’s performance relating to its environmental goals or values), unless this information is directly linked to its service performance.
<p>24. The following terms are used in this [draft] Standard with the meanings specified: Inputs: Resources used by an entity.</p> <p>Outcomes: The impacts on society or segments of society as a result of the entity’s outputs and operations.</p> <p>Outputs: The goods and/or services provided by an entity to recipients external to the entity.</p> <p>Performance indicators: Quantitative measures, qualitative measures and qualitative descriptions of the dimensions of service performance.</p> <p>Terms defined in other PBE Standards are used in this [draft] Standard</p>	

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with the same meaning as in those Standards, and are reproduced in the Glossary of Defined Terms published separately	
25. An entity shall present service performance information that is useful for accountability and decision-making purposes. Presentation of service performance information together with financial statements should enable users to make assessments of the entity's performance.	6. An entity shall present service performance information that is useful for accountability and decision-making purposes in the same general purpose financial report as its financial statements. Presentation of service performance information together with financial statements enables users to make assessments of the entity's performance.
26. An entity shall present service performance information that satisfies, to the extent possible, the qualitative characteristics of information, and appropriately balances the pervasive constraints on information in general purpose financial reports. Application of the qualitative characteristics and appropriate balancing of the constraints on information should result in service performance information that is appropriate and meaningful.	7. In selecting and presenting service performance information in a general purpose financial report an entity shall apply the qualitative characteristics of information and the pervasive constraints on information identified in the Public Benefit Entities' Conceptual Framework (PBE Conceptual Framework). Application of the qualitative characteristics and appropriate balancing of the constraints on information results in service performance information that is appropriate and meaningful to the users of general purpose financial reports.
27. The qualitative characteristics that make information in general purpose financial reports useful are relevance, faithful representation, understandability, timeliness, comparability, and verifiability	8. The qualitative characteristics of information included in general purpose financial reports are the attributes that make that information useful to users and support the achievement of the objectives of financial reporting. The qualitative characteristics identified in the PBE Conceptual Framework are relevance, faithful representation, understandability, timeliness, comparability, and verifiability. Each of the qualitative characteristics is integral to, and works with, the other characteristics to provide information useful for achieving the objectives of financial reporting in general purpose financial reports. However, in practice, all qualitative characteristics may not be fully achieved, and a balance or trade-off between certain of them may be necessary. An entity considers the needs of users and the objectives of financial reporting in the application of the qualitative characteristics to service performance information.

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<p>28. When applying the qualitative characteristics to service performance information the following are important:</p> <p>(a) Relevance: Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity’s accountability for service performance and in making decisions that rely on information about service performance (for example, whether to provide funding to an entity to support its service performance activities or whether to work with an entity in the pursuit of common service performance objectives). Relevance should be applied in considering what, and how much, to report on the three dimensions of service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.</p> <p>(b) Faithful Representation: To be useful, service performance information must be a faithful representation of the entity’s service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity’s service performance with appropriate links to financial information. Neutrality implies that service performance information could reflect both favourably and unfavourably on the entity’s service performance.</p> <p>(c) Understandability: Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.</p>	<p>9. When applying the qualitative characteristics to service performance information the following are important:</p> <p>(a) Relevance: Relevance is particularly important in selecting and aggregating service performance information. Relevance is strongly linked with judgements about the materiality¹ of information and the appropriate level of aggregation of information. Relevant information assists users in forming assessments about an entity’s accountability for service performance and in making decisions that rely on information about service performance (for example, whether to provide funding to an entity or whether to work with an entity in the pursuit of common goals). Relevance should be applied in considering what, and how much, to report on service performance. Relevance and understandability should be considered together because both the amount of information and the level of detail presented can affect understandability.</p> <p>(b) Faithful Representation: To be useful, service performance information must be a faithful representation of the entity’s service performance. Faithful representation is attained when the service performance information is complete, neutral, and free from material error. Completeness implies that the service performance information presents an overall impression of the entity’s service performance with appropriate links to financial information. Neutrality is the absence of bias. For service performance information to be neutral it needs to report on both favourable and unfavourable aspects of the entity’s service performance in an unbiased manner. Free from material error means that there are no errors or omissions that are individually or collectively material in the service performance information.</p>

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<p>(d) Timeliness: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.</p> <p>(e) Comparability: Service performance information should provide users with a basis and context to compare an entity’s service performance over time, and where appropriate, against planned performance or the performance of other entities.</p> <p>(f) Verifiability: In order to be verifiable, the assumptions that underlie service performance information, the methodologies adopted in compiling that information, and the factors and circumstances that support any opinions expressed or disclosures made should be transparent. This will enable users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.</p>	<p>(c) Understandability: Service performance information should be communicated to users simply and clearly. The amount of information presented affects understandability.</p> <p>(d) Timeliness: Service performance information should be reported to users before it loses its capacity to be useful for accountability and decision-making purposes.</p> <p>(e) Comparability: Service performance information should provide users with a basis and context to compare an entity’s service performance over time, and where appropriate, against planned performance or the performance of other entities.</p> <p>(f) Verifiability: This is the quality of information that helps assure users that service performance information faithfully represents the entity’s service performance. To be verifiable, service performance information needs to be capable of measurement or description in a consistent manner, be capable of independent verification and exclude unsubstantiated claims. The verifiability of service performance information is enhanced when the assumptions underlying the information are explicit, the methods adopted in compiling that information and the factors and circumstances that support any opinions expressed or disclosures made are transparent. This enables users to form judgements about the appropriateness of those assumptions and the method of compilation, measurement, representation and interpretation of the information.</p>
<p>29. The pervasive constraints on information in general purpose financial reports are materiality, cost-benefit and balance between the qualitative</p>	<p>10. The pervasive constraints on information identified in the PBE Conceptual Framework are materiality, cost-benefit and balance between the qualitative</p>

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<p>characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.</p>	<p>characteristics. All of these constraints are important for selecting information in service performance reports and the level of detail that is provided.</p>
<p>30. An entity shall present service performance information for the same reporting entity and reporting period as the financial statements.</p>	<p>11. Except as otherwise required by legislation, an entity shall present service performance information for the same reporting entity and reporting period as the financial statements.</p>
<p>31. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that economic entity. If the reporting entity is a single entity then service performance is reported in respect of that single entity.</p>	<p>13. If the reporting entity is an economic entity comprising a controlling entity and controlled entities then service performance is reported in respect of that entire economic entity. If the reporting entity is a single entity, then service performance is reported in respect of that single entity. Where legislation or regulation requires service performance information to be prepared for a reporting entity that differs from the reporting entity for which historical general purpose financial statements are presented, an entity is compelled to comply with such legislation or regulation</p>
<p>32. An entity's service performance plan may span a number of reporting periods. When an entity has multiyear service performance objectives it shall report on progress made towards the achievement of those objectives during the period. It may provide additional information on progress made towards the achievement of those objectives in other periods to provide context for the current period's performance.</p>	<p>14. This Standard establishes requirements for reporting on an entity's service performance for a reporting period. However, public benefit entities often have long-term service performance objectives. Judgement is required in deciding how much information to provide about the entity's service performance in the current reporting period and how much information to provide about progress towards its long-term objectives. In reporting on its current period's service performance an entity is likely to need to provide information that relates to previous periods or future periods (such as trend data) to provide context.</p>
<p>33. An entity's service performance information shall include the following: (a) Outputs and performance indicators for outputs; (b) Outcomes that the entity is seeking to influence and the links between the entity's outputs and those outcomes; and (c) A description of the</p>	<p>15. An entity's service performance information shall: (a) Provide users with sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and (b) Provide users with information about what the entity</p>

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<p>impact that the entity has had on the outcomes that it is seeking to influence and performance indicators to support that description.</p>	<p>has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.</p>
<p>34. Public benefit entities produce a wide range of outputs. In the public sector common examples of outputs are policy advice, the administration of regulations, the provision of services, the production of goods, and the administration of grants and benefits. In the not-for-profit sector common examples of outputs are advocacy and the provision of goods and services: the goods and services may be provided in accordance with agreements with others or as determined by the entity itself. In the not-for-profit sector the definition of outputs includes goods and services provided to members.</p>	<p>[no analogue]</p>
<p>35. As noted in the discussion of accountability and decision making in paragraphs 2–20, entities may provide goods and services directly, work with others to provide goods and services, or provide resources to others so that they may provide goods and services to end-recipients. An entity considers its relationships with other entities and the nature of its accountabilities in deciding what to report as its outputs. Although the reporting of outputs is limited to what an entity regards as its outputs, collaborative working relationships and the provision of resources to others is relevant when reporting on outcomes.</p>	<p>19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.</p> <p>...</p> <p>(b) What it intended to achieve during the reporting period. The information that an entity provides about its planned performance will be influenced by how much information the entity has previously published about its planned performance. If a not-for-profit entity has identified specific performance goals or targets when obtaining funding from other parties, its service performance information is likely to focus on reporting whether, and/or the extent to which, it met those goals or targets. If a not-for-profit entity has been working towards general service performance objectives for the reporting period (for example, a planned increase in the range or volume of goods or services provided or a planned improvement in the entity’s effect on a target population) rather than specific service performance goals or targets, its service performance information is likely to focus on reporting whether,</p>

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	<p>and/or the extent to which, it made progress in relation to those general objectives. Public sector entities are often required to publish information about planned performance in planning documents. In such cases this Standard requires comparisons between actual and planned performance (see paragraph 38A).</p> <p>(c) How it went about achieving its service performance objectives. If an entity delivers goods and services in conjunction with another entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity needs to exercise judgement in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.</p> <p>(d) Other factors relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance). (c) How it went about achieving its service performance objectives. If an entity delivers goods and services in conjunction with another</p>

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	<p>entity or collaborates with another entity in seeking to achieve its service performance objectives and goals, it needs to consider the most appropriate and meaningful way of reporting on its service performance. If an entity has agreed to deliver goods and services and then contracts with another entity to deliver those goods and services on its behalf, the first entity generally remains accountable for reporting on the delivery of those goods and services. If an entity makes grants to other entities to be used by those entities in delivering goods and services, the entity needs to exercise judgement in deciding whether to report solely on its funding activities or to include information about the goods and services provided by those other entities. In the public sector a department may administer an appropriation used by another department or it may use an appropriation administered by another department. The information a department includes in its service performance information will reflect which department has responsibility for reporting on such appropriations.</p>
<p>36. Performance indicators for outputs may include: (a) The quantity of the outputs; (b) The quality of the outputs; (c) The timeframe over which the outputs were produced; (d) The physical location where the outputs were delivered; and (e) The cost of the outputs</p>	<p>27. If an entity determines that reporting on goods and services delivered provides appropriate and meaningful service performance information, performance measures and/or descriptions for goods and services may include: (a) The quantity of the goods and services; (b) The quality of the goods and services; (c) The timeframe over which the goods and services were produced; (d) The physical location where the goods and services were delivered; and (e) The cost of the goods and services (see paragraph 28)</p>
<p>37. The indicators in paragraph 36 can often be used to provide a comprehensive description of outputs. Reporting on the cost of outputs provides an important link between the financial statements and service performance information but it may not always be practicable, or the most appropriate way of reporting on outputs. The reporting on the cost of outputs will depend on an entity's accounting policies and its cost allocation policies.</p>	<p>28. In reporting on the cost of goods and services there are some important considerations. Financial statements and service performance information are both important components of a public benefit entity's general purpose financial report. The service performance information needs to be linked to the financial statements to convey a coherent picture about the performance of an entity. This link is generally made, where practicable and appropriate, by reporting on the cost of goods and services.</p>

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<p>38. If an entity reports on the cost of outputs it shall provide a reconciliation between the expenses in the financial statements and the total output costs reported in the service performance information.</p>	<p>...An entity reporting on the cost of goods and services shall provide a reconciliation between the expenses in the financial statements and the total goods and services costs reported in the service performance information...</p>
<p>39. The amount of expenses reported in the financial statements will depend on the extent to which an entity has recognised goods and services in-kind as revenue and expenses. PBE IPSAS 23 Revenue from NonExchange Transactions establishes requirements for the recognition of donated goods and services. Where unrecognised goods or services in-kind are a significant component of producing outputs, any cost information provided should also acknowledge the use of these resources.</p>	<p>... and, where appropriate, an acknowledgement of the use of donated goods or services which have not been recognised in the financial statements (PBE IPSAS 23 Revenue from Non-Exchange Transactions establishes requirements for the recognition of donated goods and services in the financial statements). In some cases, for example where an entity relies heavily on donated goods and services, information on how donated resources have contributed to the entity's service performance may be more useful than cost information in providing an overall picture of the entity's performance.</p>
<p>40. The nature of an entity's accountability for outcomes may be determined by: (a) Legislation, contractual or other agreements; or (b) The entity's assertions regarding its role in influencing outcomes.</p>	<p>19. The nature of the information that an entity provides to meet the requirements of paragraph 15(b) will depend on the circumstances of the entity. An entity shall consider all of the following factors in deciding what to report.</p> <p>(a) What it is accountable/responsible for...</p>
<p>41. Examples of broadly expressed outcomes are improving the health status of children, reducing the level of violent crime, and increasing sustainable economic growth. Outcomes may also be expressed more specifically. For example, a more detailed outcome could be expressed as reducing the incidence of a particular disease, in children aged 1-5 in a certain location.</p>	<p>25. Performance measures and/or descriptions may be used to inform assessments of the broad or longer-term effects of a project or an entity's work (also referred to as the difference the entity makes) on individuals who are direct recipients of a project or an entity's work, effects on those who are not direct recipients, or effects on society or subgroups of society. Examples of broad or longer-term effects include changes to these individuals' and groups' educational achievements or health, or changes to groups' or societal poverty or crime levels.</p>
<p>42. As noted in the earlier discussion of accountability and decision making, some of the difficulties encountered in explaining the link</p>	<p>[no analogue]</p>

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<p>between an entity’s outputs and the outcomes that it seeks to influence can be partly addressed by reporting on intermediate outcomes as well as ultimate outcomes and describing the potential impact of other factors on outcomes. The identification of intermediate outcomes may assist an entity to describe meaningful links between its outputs and its influence on outcomes. An explanation of the entity’s view of the links between outputs, intermediate outcomes and ultimate outcomes provides appropriate context for an assessment of the entity’s service performance.</p>	
<p>43. Key aspects of information on outcomes and the entity’s influence on outcomes are:</p> <p>(a) Descriptions of the population or target group for outcomes, including information on the current status of the population or target group. The target population for outcomes is those individuals or segments of society that will receive or benefit most directly from the entity’s outputs. Other terms that may be used to describe the target population are clients, participants, consumers, beneficiaries and audience. In the case of some not-for-profit entities, members might comprise the target population;</p>	<p>19 ...</p> <p>(a) What it is accountable/responsible for. Some entities have responsibility for working towards particular improvements in the health, education, welfare and/or social or economic well-being of individuals or a segment of society. For example, a public sector entity may be required to target its resources to reduce disparity in educational achievement between different groups in society. In this case, the entity’s service performance information is likely to focus on whether and the extent to which those particular improvements occurred. In other cases, entities are primarily responsible for the delivery of specific types and/or volume of goods or services to a target population, rather than trying to bring about particular improvements in the health, education, welfare and/or social or economic well-being of the recipients of those goods and services. For example, an entity may be required to provide support services to elderly people in a city. In that case, the entity’s service performance information is likely to focus on the delivery of the specified goods or services. Even in cases where an entity determines the nature and extent of its service performance itself, it will need to consider the nature of its accountability to funders and service recipients</p> <p>17. Paragraph 15(a) requires contextual information about why an entity exists, what it intends to achieve and how it goes about this. This information</p>

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	<p>should be drawn from relevant documents such as founding documents, governance documents, accountability documents and planning documents. For example, a notfor-profit entity would consider documents such as its constitution, trust deed, mission statement (vision, purpose) and its most recent plans and strategies. ...</p> <p>18. In providing the contextual information required by paragraph 15(a), an entity shall explain the main ways in which it carries out its service performance activities. For example: (a) Delivering goods and services directly to individuals, entities or groups (including members); (b) Working together with other entities that share common objectives; (c) Contracting with other entities to deliver goods and services on their behalf; or (d) Making grants to other individuals or entities.</p>
<p>43(b) An explanation of the entity’s understanding of how it influences outcomes including the logic and evidence that links key outputs with outcomes. This explanation may require the identification of one or more intermediate outcomes;</p>	<p>17.... If an entity uses a performance framework, theory of change or intervention logic at its highest level of management or in the governance of the entity, the contextual information should also draw upon that performance framework, theory of change or intervention logic. For example, a local authority’s Long-Term Plan provides a meaningful performance framework for its activities</p>
<p>43 (c) Evidence of how the entity has influenced outcomes, supported by performance indicators. This evidence could be supported by information regarding the credibility of evidence about what impacts have occurred and the extent to which these can be credibly attributed to the entity, where such information is available;</p>	<p>15. (b) Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives, as described in (a) above.</p>
<p>43 (d) The rationale for the selection of performance indicators; and</p>	<p>(No direct analogue)</p>

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<p>43 (e) Other factors that have affected the entity’s ability to influence outcomes. These factors may include working relationships with volunteers and employees, relationships with other entities with similar performance objectives, decisions to broaden or narrow the delivery of services, or external factors such as economic, legal or geographical factors.</p>	<p>19 ...</p> <p>(d) Other factors relevant to an understanding of its service performance during the period, such as the links between its financial statements and service performance information and/or external social, legal or economic factors (for example, changes in funding levels that affect its service performance).</p>
<p>44. Paragraphs 26–29 of this [draft] Standard explain that information in a service performance report is subject to the qualitative characteristics and pervasive constraints on information in general purpose financial reports. Application of the qualitative characteristics and constraints on information is likely to result in some entities providing more information than others on the entity’s influence on outcomes. Information on impacts should be reported only where the entity has evidence about the links between outputs and outcomes, and the information can be measured in a way that meets the qualitative characteristics and constraints. For example, an entity may be unable to provide evidence of its impact on outcomes that satisfies the qualitative characteristics. In such cases an entity should state this fact.</p>	<p>22. ...The qualitative characteristics may also influence the data collection and compilation methods used by an entity.</p>
<p>45. In order to be appropriate and meaningful the performance indicators used to report on an entity’s service performance need to provide an overall picture of the relevant dimensions of the entity’s service performance. The set of performance indicators reported should assist users of a general purpose financial report to obtain an overall picture of the outputs provided by an entity, and where relevant, the extent to which an entity has had an impact on those outcomes it seeks to influence</p>	<p>21. An entity shall exercise judgement to select an appropriate and meaningful mix of performance measures and/or descriptions so as to provide users of its general purpose financial report with sufficient, but not excessive, information about its service performance for the period. In determining the type and extent of information to provide, the entity considers a balance between providing:</p> <p>(a) Enough information to provide users with an overall picture of its service performance for the period; and</p> <p>(b) Not so much information that it could obscure the overall picture.</p>

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<p>46. Performance indicators are the measures or descriptions used by an entity to communicate the achievement of service performance. They may be:</p> <p>(a) Quantitative measures: Examples of quantitative measures are the quantity of outputs produced, the cost of outputs, the time taken to provide an output, or a numerical target for an outcome;</p> <p>(b) Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard; or</p> <p>(c) Qualitative descriptions: Examples of qualitative descriptions are descriptions of service performance achievement based on participant observations, and open-ended questions on interviews and surveys.</p>	<p>20. In reporting on what an entity has done during the reporting period an entity shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:</p> <p>(a) Quantitative measures: Examples of quantitative measures are the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals;</p> <p>(b) Qualitative measures: Examples of qualitative measures are descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or</p> <p>(c) Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how did an entity's service performance activities change the well-being and circumstances of a client group?</p>
<p>47. In selecting the performance indicators to be reported an entity considers the qualitative characteristics and the constraints on information in general purpose financial reports. Judgement is needed to determine the most appropriate and meaningful performance indicators to be reported. They should measure aspects of performance that are of particular value or importance for accountability or decision-making purposes.</p>	<p>22. In selecting the performance measures and/or descriptions to be reported an entity shall consider the qualitative characteristics and the pervasive constraints on information in general purpose financial reports. Judgement is needed to determine the most appropriate and meaningful performance measures and/or descriptions to be reported. The most appropriate and meaningful performance measures and/or descriptions are those that measure or describe aspects of performance that are of particular value or importance for accountability or decision-making purposes....</p>

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<p>48. An entity is likely to use more performance indicators for internal management purposes than would be appropriate for users of a general purpose financial report. To ensure that the information is understandable and to avoid overwhelming users, entities generally will need to identify only those key performance indicators that will best meet users' needs for the services presented.</p>	<p>Covered by paragraph 21 (a) and (b) above</p>
<p>49. Output performance indicators should be controllable by the entity or, at a minimum, the entity should have a reasonable level of influence over achieving the performance specified</p>	<p>(no direct analogue)</p>
<p>50. Performance indicators should have an external focus. Outputs are provided by an entity to recipients external to the entity. Therefore, performance indicators should not focus on internal activities or internal processes, plans or policies.</p>	<p>23. In general, performance measures and/or descriptions shall have an external focus. However, this does not preclude an entity from providing information on internal activities, processes, plans or policies if it considers that this information provides important context for its service performance.</p>
<p>51. Performance indicators may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.</p>	<p>24. Performance measures and/or descriptions may be used to inform assessments of efficiency and effectiveness or they may attempt to provide information directly on an entity's efficiency and effectiveness in relation to its service performance.</p>
<p>52. This [draft] Standard does not prescribe the format of service performance information. Entities should develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, pie charts or columns, with explanatory comments in "pop-up" boxes or simila</p>	<p>31. This Standard does not prescribe the format of service performance information. Entities develop a format that best meets the information needs of their users. Information may, for example, be presented in the form of graphs, tables, narrative, infographics, explanatory comments in 'pop-up' boxes or similar.</p>
<p>53. An entity should include cross references between the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.</p>	<p>32. An entity may cross-reference the service performance information and the financial statements so that users can assess the service performance information within the context of the financial statements.</p>

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<p>54. An entity may present the information required by this [draft] Standard outside of the service performance section of its general purpose financial report, or outside the general purpose financial report, if:</p> <p>(a) It is still possible to identify the complete set of service performance information presented in accordance with this [draft] Standard;</p> <p>(b) Locating the information elsewhere enhances the understandability of the financial report as a whole and the service performance information remains understandable and fairly presented;</p> <p>(c) The information is incorporated into the service performance information by cross-reference; and (d) The information is available to users of the service performance information on the same terms as the financial report and at the same time.</p>	<p>33. In presenting service performance information in accordance with this Standard an entity may incorporate, by cross-reference, information outside the general purpose financial report. The use of cross-referencing is permitted subject to the following requirements.</p> <p>(a) It is still possible to identify the complete set of service performance information presented in accordance with this Standard.</p> <p>(b) Locating the information elsewhere enhances the understandability of the general purpose financial report as a whole and the service performance information remains understandable and fairly presented.</p> <p>(c) The cross-referenced information is available to users of the service performance information on the same terms as the general purpose financial report and at the same time.</p>
<p>55. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:</p> <p>(a) Links related information together so that the relationships between items of information are clear; and/or</p> <p>(b) Reduces duplication of information</p>	<p>34. Incorporating service performance information by cross-reference enhances the understandability of the service performance information if it:</p> <p>(a) Links related information together so that the relationships between items of information are clear; and/or</p> <p>(b) Reduces duplication of information</p>
<p>56. If an entity applies cross-referencing in accordance with paragraph 54, it shall:</p> <p>(a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 Presentation of Financial Reports, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this [draft] Standard;</p>	<p>35. If an entity applies cross-referencing in accordance with paragraph 33, it shall:</p> <p>(a) Disclose, together with the statement of compliance in accordance with paragraph 28 of PBE IPSAS 1 Presentation of Financial Reports, a list of cross-referenced information that forms part of a complete set of service performance information in accordance with this Standard;</p>

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<p>(b) Depict cross-referenced information as being information prepared in accordance with this [draft] Standard (and audited if applicable);</p> <p>(c) Make the cross-referencing direct and precise as to what it relates to; and</p> <p>(d) Ensure cross-referenced information remains available over time at the cross-referenced location.</p>	<p>(b) Depict cross-referenced information as being information prepared in accordance with this Standard (and audited if applicable);</p> <p>(c) Make the cross-referencing direct and precise as to what it relates to; and</p> <p>(d) Ensure cross-referenced information remains unchanged and available over time at the cross referenced location.</p>
<p>57. An entity shall report comparative information for the previous period. Comparative information shall be included for all amounts reported in the service performance information. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's service performance information.</p>	<p>37. An entity shall report comparative information in respect of the preceding period. An entity shall report comparative information for all amounts reported in the current period and, where relevant, for the narrative and descriptive information reported in the current period.</p>
<p>61. An entity shall report service performance information consistently. An entity may change aspects of its service performance reporting to reflect changes in its service performance activities or in order to better meet the qualitative characteristics. When an entity changes its service performance reporting it shall disclose the nature of those changes and their effect on the current period.</p>	<p>40. An entity shall report service performance information consistently. If an entity changes what it reports or how it reports its service performance information, it shall explain the nature of those changes and their effect on the current period's service performance information.</p>
<p>(No direct analogue)</p>	<p>44. An entity shall disclose those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information reported in accordance with this Standard that are relevant to an understanding of the entity's service performance information.</p>
<p>(No direct analogue)</p>	<p>45. In applying the principles in this Standard an entity will need to make a number of judgements, such as those discussed in paragraphs 19, 21 and 22. These judgements reflect the entity's consideration of its specific facts and circumstances, including the information needs of its primary users. An entity</p>

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	<p>therefore needs to identify those judgements that have the most significant effect on the selection, measurement, aggregation and presentation of service performance information and consider their relevance to a user's understanding of the entity's service performance information.</p>
(No direct analogue)	<p>46. In deciding what judgements to disclose in accordance with paragraph 44, an entity considers:</p> <p>(a) The extent to which the entity's service performance information is consistent with and clearly linked to the entity's overall purpose and strategies. If it is not, users may need to understand why not.</p> <p>(b) The extent to which the entity's service performance information reported is consistent with that used by the entity for internal decision making. If it is not, users may need to understand why not.</p> <p>(c) How much discretion the entity has over the selection, measurement aggregation and presentation of service performance information. The more discretion the entity has over what it reports, the more users are likely to be interested in the entity's judgements. In situations where there is significant judgement involved, such disclosures shall include the key factors (see paragraph 19) that formed the basis of those judgements. In some cases an entity's service performance information might be largely determined by external requirements or agreements with external parties. In other cases an entity's service performance information may be largely determined internally, or it may be based upon a combination of internal determinations and external contractual determinations or frameworks. In all cases, information about the level of discretion that an entity has, and the judgements it has made, would be relevant to users seeking to understand the entity's service performance information.</p>

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	<p>(d) The extent to which the application of the qualitative characteristics and pervasive constraints on information (see paragraph 10) has influenced its service performance information.</p> <p>(e) The extent to which consultation with users influenced the reporting of service performance information.</p> <p>(f) The judgements made in deciding when to provide comparative narrative and descriptive information.</p> <p>(g) The judgements made about methods used in the selection, measurement, aggregation and presentation of performance measures and/or descriptions.</p>
(No direct analogue)	<p>47. An entity may cross-reference to other documents such as statements of intent or performance frameworks in disclosing information about judgements.</p>

Analysis of PBE FRS 48 Feedback

Section 1 - Introduction

1. This analysis examines the feedback received on PBE FRS 48 (the Standard) in the context of changes between the exposure draft NZASB 2016-6 (the ED) and the final Standard. It identifies consistent themes from the ED feedback and new themes that emerged during implementation, compares relevant paragraphs, and discusses implications for future standard development.
2. To conduct this analysis, we followed a structured approach comprising eight key steps:
 - (a) *Analysis of ED feedback:* We examined all feedback received on the ED to identify common points and concerns raised by respondents.
 - (b) *Aggregation by entity type:* The feedback was aggregated and categorised by entity type, distinguishing between Public Sector, Not-for-Profit, and Professional Accountants.
 - (c) *Theme identification and comparison:* We compared the themes arising from the ED feedback with those emerging from the stakeholder workshops to identify themes that have persisted since the ED stage and new themes that have emerged during implementation.
 - (d) *Paragraph mapping:* A detailed mapping of paragraphs from the ED to the final standard was conducted to identify changes between the ED and final standard. The full mapping is available in supporting paper X.3 of this agenda item.
 - (e) *Analysis of consistent themes:* For each theme that remained consistent between the ED feedback and recent stakeholder meetings, identified the relevant paragraphs in both the ED and the final standard. Then, assessed whether the changes made to the standard in response to the ED feedback may have contributed to the persistence of these themes.
 - (f) *Analysis of new themes:* For each new theme identified from recent stakeholder meetings, we examined relevant paragraphs in the ED (if any) and assessed whether changes made between the ED and final standard may have led to the emergence of these new themes.
 - (g) *Sector comparison:* We compared the feedback from the Not-for-Profit (NFP) and public sectors to identify differences in the general concerns of each sector.
3. The following sections of this appendix present the detailed findings from our analysis, structured around the consistent themes (Section 2), new themes (Section 3), sector prevalence (Section 4).

Section 2 - Consistent Themes

Clarity and Flexibility

4. The ED was significantly restructured to emphasise flexibility. This involved removing specific guidance on determining, and reporting on outputs and outcomes, which likely reduced clarity for some entities. While the modifications addressed public sector concerns about flexibility, it likely introduced challenges, particularly for not-for-profit entities and those with less established reporting practices.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Service performance dimensions	10, 33	15	The removal of specific dimensions may have contributed to lack of clarity
Guidance on reporting	11-20	-	Removal of detailed guidance increased flexibility but may have reduced clarity
Performance indicators	46	20-28	Shift to more general guidance on measures/descriptions may have increased ambiguity
Applying qualitative characteristics	26-29	7-10	Less detailed guidance may have made application more challenging
Judgment in reporting	-	22, 44-47	New guidance on disclosing significant judgments, while important due to the increased flexibility, may be challenging to interpret.

ED Feedback by entity type:

5. Public Sector: Arguments that the proposed standard would restrict flexibility provided by Crown Entities Act 2013 amendments.
6. Not-for-Profit: Concerns about "Lack of clarity as to the purpose and value of service performance information" and "Acknowledge the benefits of flexibility but the downside is concern about ambiguity."
7. Professional Accountant: Urging removal of all codified labels from the standard and suggesting focusing on broader principles or dimensions rather than specific terms.

Impact Reporting and Timeframes

8. While the changes in the standard aimed to address concerns about mandatory impact reporting, they contributed to current challenges by providing less clarity on how service performance reporting within annual cycles relates to and is separate from long-term impact reporting. This has particularly affected not-for-profit entities with complex, long-term interventions and relatively lower resources than public sector entities.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Impact reporting requirements	10(c), 33	15(b), 25	Removal of explicit impact reporting requirements reduced pressure but may have increased uncertainty
Guidance on impact reporting	16-20, 43	14, 19(c)	Less detailed guidance may have made long-term impact reporting more challenging

ED Feedback by entity type:

9. Not-for-Profit: Concerns about "Reporting on longer term outcomes and impacts does not fit well with an annual reporting timeline."
10. Professional Accountant: Concerns about reporting and evidencing links between outputs and outcomes.

Cost and Benefit Considerations

11. The changes in the standard did not significantly alleviate cost concerns, particularly for not-for-profit entities. The more flexible approach may have addressed some issues, but may have created other issues, especially in relation to audit requirements. Implementation costs remain a concern, particularly for not-for-profit entities.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Cost-benefit as a constraint	29	8	Less emphasis on cost-benefit in final standard may have downplayed this consideration
Scope for not-for-profit entities	21	3	Maintained scope without addressing specific cost concerns for not-for-profits
Information requirements	48	21	More flexible approach may indirectly address some cost concerns, but not explicitly

ED Feedback by entity type:

12. Public Sector: A council expressed concern about potential costs.

13. Not-for-Profit: Two organisations expressed concern about potential costs.
14. Professional Accountant: Two firms expressed concern about potential costs, especially for not-for-profit entities. One firm suggested a concession for Tier 2 not-for-profit entities from disclosing impacts or outcomes.

Need for Guidance

15. The changes in the standard, particularly the removal of specific requirements on reporting on outputs and outcomes may have contributed to the increased need for additional guidance expressed by stakeholders. Despite publishing other guidance material, entities still appear to be struggling, suggesting that the guidance is insufficient or incorrectly targeted.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Guidance on performance indicators	36-39	27, 28	Removal of specific guidance increased the need for supplementary resources
Format and cross-referencing	52-56	31-35	Guidance on formatting and cross referencing broadly consistent.

ED Feedback by entity type:

16. Public Sector: Two entities recommended practical examples or case studies.
17. Not-for-Profit: One organisation recommended practical examples or case studies.
18. Professional Accountant: Five firms recommended practical examples or case studies. Three respondents suggested guidance on specific aspects of service performance reporting.

Section 3 - New Themes

User Identification

19. The changes in the standard, particularly the removal of detailed user discussion likely contributed to the uncertainty about user identification expressed in stakeholder feedback. This has particularly affected not-for-profit entities with diverse stakeholder groups.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
User categories and needs	2-7	IN4, IN5	Removal of detailed user discussion likely contributed to uncertainty
Consideration of user needs	-	19(a)	New requirement to consider accountability, but less specific than ED guidance

Stakeholder workshop feedback

20. Stakeholder meetings revealed concerns about "Unclear who is using the information."

Capacity and Capability Constraints

21. While not directly caused by changes in the standard, the more flexible approach may have exacerbated capacity and capability constraints by providing less specific guidance for resource-limited entities. This has particularly affected smaller not-for-profit entities.
22. Resource limitations, particularly for not-for-profit entities, have emerged as a significant challenge.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Contextual information	-	23	New allowance for contextual information helpful, but may not address underlying capacity issues
Consistency in reporting	61	40	Largely unchanged

Stakeholder workshop feedback

23. Stakeholder meetings revealed concerns about being "Often resourced by volunteers with limited time or capability" and "Limited resources allocated to systems and controls to capture data."

Auditor Challenges

24. The changes in the standard, particularly the move to a more principles-based approach, may have contributed to the challenges auditors face in assessing compliance with the standard. This has created particular difficulties for not-for-profit entities, especially those new to service performance reporting.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Criteria for assessing compliance	11-20	-	Removal of specific criteria may have made auditor assessment more challenging
Disclosure of significant judgments	-	44-47	New requirement helpful for auditors, but may not fully compensate for lack of specific criteria.

Stakeholder workshop feedback

25. Stakeholder meetings revealed concerns about "Heavy onus felt by the auditors" and "Perception that auditors are held to a higher standard than the preparer." Questions were raised about "Are the financial auditors the right people to assure this information?"

Sector-Specific Concerns

26. The decision to retain a single service performance reporting standard for both public sector and not-for-profit PBEs and remove sector specific examples may have contributed to concerns about whether the standard adequately addresses the unique needs of different sectors. This has particularly affected not-for-profit entities with diverse service offerings.

Aspect	ED Paragraphs	Final Standard Paragraphs	Analysis
Sector-specific guidance	12, 14-15, 34-35	-	Removal of sector-specific examples may have contributed to concerns about one-size-fits-all approach
Application to different sectors	21, 22	3, 5, 19	Maintained uniform approach without addressing sector-specific needs

Stakeholder workshop feedback

27. Stakeholder meetings raised questions about whether a one-size-fits-all approach is appropriate.

Section 4 - Sector Prevalence:

Not-for-Profit Sector:

28. The identified themes appear to be more prevalent in the not-for-profit sector. This sector faces greater challenges with:
- (a) Clarity of the expression of requirements in the standard and ambiguity related to the amount of flexibility it provides as there are diverse entity types and less established reporting practices
 - (b) Impact reporting, its relationship to the core purpose of the standard, and how it differs from outputs and outcomes
 - (c) Cost and benefit considerations due to limited resources
 - (d) Need for guidance due to less reporting experience
 - (e) User identification due to diverse stakeholder groups
 - (f) Capacity and capability constraints, especially for smaller entities
 - (g) Auditor challenges, particularly for entities new to service performance reporting

Public Sector:

29. While the public sector faces some challenges, they appear less prevalent due to:
- (a) More established reporting practices and existing legislative requirements
 - (b) Generally better equipped for long-term impact reporting
 - (c) More established systems and dedicated professional staff for reporting
 - (d) Clearer lines of accountability and more defined user groups
 - (e) More experience with performance audits

EXPOSURE DRAFT NZASB 2017-1

AMENDMENTS TO RDR FOR TIER 2 FOR-PROFIT ENTITIES

(ED NZASB 2017-1)

Invitation to Comment

January 2017

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PO Box 11250
Manners St Central, Wellington 6142
New Zealand
<http://www.xrb.govt.nz>

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Information for Respondents

Invitation to Comment

The New Zealand Accounting Standards Board (NZASB)¹ is seeking comments on the specific matters raised in this Invitation to Comment. We will consider all comments before finalising the proposals for disclosure requirements for Tier 2 for-profit entities.

If you want to comment, please supplement your opinions with detailed comments, whether supportive or critical of the proposals, as both supportive and critical comments are essential to a balanced view.

Comments are most useful if they indicate the specific paragraph to which they relate, contain a clear rationale and, where applicable, provide a suggestion for an alternative. Feel free to provide comments only for those questions, or issues that are relevant to you.

Submissions should be sent to:

Chief Executive
External Reporting Board
PO Box 11250
Manners St Central
Wellington 6142
New Zealand

Email: submissions@xrb.govt.nz
(please refer to *RDR for For-profit Entities* in the subject line)

We would appreciate receiving a copy of your submission in electronic form (preferably Microsoft Word format) as that helps us to efficiently collate and analyse comments.

Please note in your submission on whose behalf the submission is being made (for example, own behalf, a group of people, or an entity).

The closing date for submissions is **26 May 2017**.

Publication of Submissions, the Official Information Act and the Privacy Act

We intend publishing all submissions on the XRB website (xrb.govt.nz), unless the submission may be defamatory. If you have any objection to publication of your submission, we will not publish it on the internet. However, it will remain subject to the Official Information Act 1982 and, therefore, it may be released in part or in full. The Privacy Act 1993 also applies.

If you have an objection to the release of any information contained in your submission, we would appreciate you identifying the parts of your submission to be withheld, and the grounds under the Official Information Act 1982 for doing so (e.g. that it would be likely to unfairly prejudice the commercial position of the person providing the information).

¹ The NZASB is a sub-Board of the External Reporting Board (XRB Board), and is responsible for setting accounting standards.

List of Abbreviations

The following abbreviations are used in this Invitation to Comment.

AASB	Australian Accounting Standards Board
ED	Exposure Draft
GPFS	General purpose financial statements
IASB	International Accounting Standards Board
ITC	Invitation to Comment
NZ IFRS	New Zealand equivalents to International Financial Reporting Standard
NZ IFRS RDR	NZ IFRS with disclosure concessions for Tier 2 for-profit entities
NZASB	New Zealand Accounting Standards Board, a sub-Board of the External Reporting Board
RDR	Reduced Disclosure Regime
SPFS	Special purpose financial statements

Questions for Respondents

	Paragraphs
1. Do you agree with the overarching principles on which the proposed RDR decision-making framework is based (that is, user needs and cost-benefit)? If you disagree, please explain why.	24
2. Do you agree with the two Key Disclosure Areas identified as being essential for meeting user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity's operations as represented by the financial statements), please explain which one(s) you disagree with and why?	28
3. Do you agree with the proposed RDR decision-making framework and operational guidance as a whole for determining RDR for Tier 2 for-profit entities? If you disagree, please explain why.	27–49
4. Do you agree with the outcome of the application of the proposed RDR-decision making framework and operational guidance to the disclosure requirements in NZ IFRS to determine the disclosure requirements for Tier 2 for-profit entities? If you disagree with the outcome, please identify, with reasons:	See ED
(a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and	
(b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide.	
5. Do you agree with the approach taken by the NZASB regarding disclosures about accounting policies? If you disagree, please explain why.	55–60
6. Do you agree with the approach taken by the NZASB regarding guidance for disclosure requirements? If you disagree, please explain why.	61–63
7. Do you agree with the approach taken by the NZASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why.	64–68
8. Do you agree with the proposal to retain the approach of using an asterisk (*) for disclosures that Tier 2 entities are not required to provide and explaining partial concessions by means of an RDR paragraph? If you disagree, please provide, with reasons, an alternative approach for consideration.	77–79
9. Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019, with early application permitted for annual periods beginning on or after 1 January 2018 (with early adoption of the concessions in NZ IAS 40 permitted only when an entity also applies NZ IFRS 16)?	80–82

10. Do you have any other comments on the ED?

1. Introduction

1.1 Background

1. The New Zealand Accounting Standards Board (NZASB) and Australian Accounting Standards Board (AASB) have jointly developed a proposed RDR decision-making framework (proposed RDR framework), which is outlined in paragraphs 27–49 of this Invitation to Comment (ITC). It is intended that the proposed RDR framework, when finalised, will form a joint Policy Statement to be used for determining disclosure requirements for Tier 2 for-profit entities².
2. The NZASB and the AASB are proposing to amend the disclosure requirements for Tier 2 for-profit entities based on the proposed RDR framework.
3. The project:
 - (a) is intended to result in a more robust approach to determining disclosure requirements for Tier 2 for-profit entities, with a clearer focus on user needs;
 - (b) is being undertaken jointly with the AASB to maintain trans-Tasman harmonisation³ for Tier 2 for-profit entities; and
 - (c) from the AASB’s perspective, is responding to issues raised during its Post-implementation Review that there needed to be a better balance between benefits of financial information to users and costs to preparers of providing that information and is part of a bigger project to assist in simplifying and improving the financial reporting framework in Australia.
4. At present, both the NZASB and the AASB have an existing second tier of financial reporting requirements for Tier 2 for-profit entities, comprising a harmonised Reduced Disclosure Regime (RDR). Tier 2 For-profit Accounting Requirements have the same recognition and measurement requirements as Tier 1 For-profit Accounting Requirements but with reduced disclosures. In New Zealand, the Tier 2 For-profit Accounting Requirements are referred to as the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).
5. Entities may elect to apply NZ IFRS RDR if they are:
 - (a) for-profit entities that do not have public accountability as defined for financial reporting purposes; or
 - (b) for-profit public sector entities that are not large (a for-profit public sector entity is not large if it has total expenses of \$30 million or less).

² The reference to Tier 2 for-profit entities should be read as Tier 2 entities for Australian entities.

³ In August 2009, the then Prime Ministers of Australia and New Zealand signed the Joint Statement of Intent: Single Economic Markets Outcome Framework. One of the outcomes of that Statement of Intent was that for-profit entities operating in both countries should be able to use only one set of accounting standards and to prepare one set of financial statements that would be acceptable in both countries.

6. Although the NZASB and the AASB have undertaken this project jointly, there are some differences in the New Zealand and Australian financial reporting frameworks, which each board took into account when developing the proposals. These differences include the following.
- (a) Since the introduction of the Financial Reporting Act 1993 in New Zealand, companies with a statutory requirement to prepare financial statements are required to prepare general purpose financial statements (GPFS) in accordance with generally accepted accounting practice (GAAP).⁴
 - (b) In contrast, in Australia, companies with a statutory requirement to prepare financial statements are not necessarily required to prepare GPFS. To determine whether to prepare GPFS or special purpose financial statements (SPFS), entities consider whether they are reporting entities as defined in Australia.
 - (c) As a consequence of the statutory requirements in New Zealand, for over 20 years New Zealand accounting standards have included a second tier of financial reporting requirements for entities preparing GPFS in order to provide some reporting concessions for certain entities that are not publicly accountable. For example, NZ IFRS RDR was introduced as a replacement for an existing differential reporting regime.
 - (d) In contrast, in Australia, a second tier of reporting requirements for entities preparing GPFS was introduced relatively recently, in 2010.
7. The above differences between the financial reporting frameworks in New Zealand and Australia have resulted in some differences in how the NZASB and AASB are proposing to present the disclosure requirements for Tier 2 for-profit entities, as explained further in Section 2. However, notwithstanding those differences, the outcome of applying the Tier 2 Accounting Requirements is expected to be substantially the same in both New Zealand and Australia. In other words, in practice, a Tier 2 for-profit entity applying the New Zealand Tier 2 requirements should provide substantially the same disclosures as it would have done if it had instead applied the Australian Tier 2 requirements.

1.2 Purpose of this Invitation to Comment

8. The purpose of this ITC and associated Exposure Draft (ED) is to seek comments on (a) the proposed RDR framework and (b) proposed amendments to the disclosure requirements for Tier 2 for-profit as a consequence of applying that framework.
9. The proposals in this ITC and accompanying ED do not change which for-profit entities are permitted to report in accordance with Tier 2 Accounting Requirements. The proposals, when finalised, amend the current disclosure requirements for Tier 2 for-profit entities.

⁴ Under the Financial Reporting Act 1993 very small companies could prepare financial statements in accordance with the Financial Reporting Order (FRO) 1994 rather than in accordance with GAAP. Recent legislative reforms have removed the statutory requirement for many small and medium-sized companies to prepare GAAP-compliant financial statements or financial statements in accordance with the FRO. However, those companies that continue to have a statutory requirement to prepare financial statements also continue to have a statutory requirement to prepare GPFS in accordance with GAAP.

1.3 Timeline and Next Steps

10. Submissions on ED NZASB 2017-1 are due by **26 May 2017**. Information on how to make submissions is provided on page 4 of this Invitation to Comment.
11. After the consultation period ends, we will consider the submissions received, and subject to the comments in those submissions, we expect to finalise and issue the amended disclosure requirements for Tier 2 for-profit entities.

2. Overview of Invitation to Comment and ED

2.1 Summary of the Content

13. This Invitation to Comment and accompanying ED, ED NZASB 2017-1 *Amendments to RDR for For-profit Entities* contain:
 - (a) an explanation of the New Zealand Accounting Standards Framework as it applies to Tier 2 for-profit entities;
 - (b) an explanation of the current approach for determining disclosure requirements for Tier 2 for-profit entities;
 - (c) an explanation of how the Key Disclosure Areas in the proposed new RDR decision-making framework were determined;
 - (d) an explanation of the proposed RDR framework, accompanying operational guidance and its application for determining Tier 2 disclosure requirements, in particular where the approach of the NZASB and the AASB differ;
 - (e) an explanation of the method for identifying Tier 2 disclosure concessions;
 - (f) a high-level summary of the differences between the current RDR for Tier 2 for-profit entities and the proposed RDR for Tier 2 for-profit entities in ED NZASB 2017-1; and
 - (g) proposed amendments to the disclosure requirements for Tier 2 for-profit entities as a consequence of applying the proposed RDR framework.
14. The NZASB is seeking feedback on (a) the proposed RDR framework, and (b) the disclosure requirements for Tier 2 for-profit entities as a result of applying the proposed RDR framework.
15. At the end of this project, the proposed RDR framework will form a Policy Statement (attached as Appendix A) issued jointly by the NZASB and the AASB and that policy will be applied for determining disclosure requirements for Tier 2 for-profit entities in New Zealand and Tier 2 entities in Australia.
16. Although judgement is required in applying the proposed RDR framework, different people applying it should generally come to similar conclusions about the disclosure requirements for Tier 2 for-profit entities.
17. This [ED is accompanied by a staff analysis of the application](#) of the proposed RDR framework to the disclosure requirements in NZ IFRS. The analysis uses shading to identify the proposed reduced disclosures for Tier 2 for-profit entities, and also provides a comparison of current RDR with the new proposals applying the proposed RDR framework.

2.2 Determining RDR for For-profit Entities

Current Approach for Determining RDR

18. At present, the disclosure requirements for Tier 2 for-profit entities are consistent with, and substantially the same as those for Australian Tier 2 entities.

19. The current Tier 2 disclosure requirements are based on the approach developed by the AASB in 2010. That approach uses the IFRS for SMEs[®] Standard as the starting point. The process for identifying disclosure concessions is as follows:
 - (a) draw directly on the disclosure requirements in the IFRS for SMEs Standard when Tier 2 recognition and measurement requirements are the same as those under the IFRS for SMEs Standard; and
 - (b) use the “user needs” and “cost-benefit” principles applied by the IASB in developing its IFRS for SMEs Standard when Tier 2 recognition and measurement requirements are not the same as those available under the IFRS for SMEs Standard.
20. Operational guidance was developed to facilitate the application of the “user needs” and “cost-benefit” principles.

Proposed Approach for RDR

21. In 2015 the NZASB and the AASB undertook a project to jointly review the approach taken for determining Tier 2 disclosure requirements.
22. The AASB consulted representatives of users of the financial statements of Australian Tier 2 entities, both for-profit and not-for-profit, to identify the information needs of those users. The NZASB undertook a limited consultation with users of the financial statements of New Zealand Tier 2 for-profit entities to identify their information needs.⁵
23. Based on the feedback received from the Boards’ outreach, a proposed RDR framework and operational guidance to facilitate its application have been developed.
24. The overarching principles of the proposed RDR framework are that:
 - (a) the information provided by the financial statements meets user needs; and
 - (b) the benefits of providing the disclosures exceed the costs.
25. The Boards have developed the proposed RDR framework to provide a more robust approach and consistent basis for developing Tier 2 disclosure requirements. That is, the Boards’ expectation is that different people should be able to apply the RDR framework and operational guidance and come to similar conclusions about whether or not a Tier 2 for-profit entity should be required to comply with a Tier 1 disclosure.
26. The IASB has decided not to update the IFRS for SMEs Standard for some of the limited-scope amendments and new IFRS[®] Standards that have been issued over the past few years (for example, IFRS 15 *Revenue from Contracts with Customers* and IFRS 16 *Leases*). This means that the IFRS for SMEs Standard cannot be used as the starting point for determining disclosure requirements for Tier 2 entities for these recently issued standards.

⁵ The XRB Board is currently undertaking research to identify the financial information and assurance needs of users of for-profit Tier 2 entity reports in accordance with its Strategic Action Plan.

2.3 Proposed RDR Decision-making Framework

27. Under the proposed RDR framework a Tier 2 for-profit entity discloses information about its financial position, financial performance and cash flows by presenting a set of financial statements in the same way that a Tier 1 for-profit entity prepares its financial statements. However, the overarching principles of user needs and cost-benefit are applied to the disclosure requirements in NZ IFRS to reduce the disclosures to be provided by Tier 2 entities.
28. The Boards identified two Key Disclosure Areas that they consider would be essential for meeting user needs. These Key Disclosure Areas are:
- (a) current liquidity and solvency of the entity; and
 - (b) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements. This comprises disclosures about:
 - (i) the nature of the transaction or event that makes it significant or material to the entity;
 - (ii) associated risks specific to a transaction or event;
 - (iii) associated accounting policy on recognition or measurement specific to a transaction or event;
 - (iv) associated significant estimates and judgements specific to a transaction or event;
 - (v) commitments and contingencies;
 - (vi) impairment;
 - (vii) related parties; and
 - (viii) subsequent events.
29. The disclosures about transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements are categorised broadly into:
- (a) disclosures of a general nature that apply for all transactions and events (paragraphs 28(b)(i)–(iv)); and
 - (b) specific disclosures about particular types of transactions and events (paragraphs 28(b)(v)–(viii)).
30. The RDR framework is based on a rebuttable presumption that the benefits of providing the disclosures listed in paragraph 28 above exceed the costs. Unless that presumption is rebutted, Tier 2 entities are required to provide those disclosures. An example of when the presumption might be rebutted is where a standard requires extensive disclosures about a topic that is, or relates to, a Key Disclosure Area. There could be some specific disclosures that provide little incremental benefit to users of the financial statements of Tier 2 for-profit entities, in which case the presumption is rebutted and Tier 2 for-profit entities are not required to provide those disclosures.

31. Similarly, there is a rebuttable presumption that the costs of providing a disclosure exceed the benefits where the disclosure is not a Key Disclosure Area. Unless the presumption is rebutted, Tier 2 for-profit entities are not required to provide those disclosures. An example of when the presumption might be rebutted is where the disclosure provides information about the reporting framework under which the financial statements are prepared or information about the structure of the entity reporting (that is, whether the reporting entity is a group and the composition of that group) and providing the disclosure does not impose significant additional costs on the entity reporting. In these cases, the presumption is rebutted and Tier 2 for-profit entities are required to provide the disclosure.

Question for Respondents

1. Do you agree with the overarching principles on which the proposed RDR decision-making framework is based (that is, user needs and cost-benefit)? If you disagree, please explain why.
2. Do you agree with the two Key Disclosure Areas identified as being essential for meeting user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity's operations as represented by the financial statements), please explain which one(s) you disagree with and why?

Operational Guidance

32. Operational guidance has also been developed to facilitate application of the proposed RDR framework to the disclosure requirements for Tier 1 for-profit entities. The areas dealt with in the guidance are discussed below.

Presentation vs Disclosure

33. An objective of the proposed RDR framework is that the face of the financial statements of Tier 1 for-profit entities and Tier 2 for-profit entities would display the same information. As a consequence of this, the presentation⁶ requirements for Tier 1 entities and Tier 2 entities are the same. The RDR framework is concerned only with reducing the disclosure burden for Tier 2 entities. Sometimes judgement is required as to whether a particular requirement relates to presentation or disclosure.
34. Requirements are considered to be presentation requirements if they:
- (a) specify the broad structure of the financial statements, including the basis of classification of items; and
 - (b) address additional line items, disaggregation and subclassification of line items on the face of the primary financial statements.
35. Presentation requirements are not subjected to analysis under the proposed RDR framework.

⁶ The standards sometimes use the term presentation interchangeably with the term classification.

36. Requirements are considered to be disclosure requirements if they:
- (a) specify additional line items and disaggregation to be disclosed in the notes; and
 - (b) may be provided either on the face of the financial statements or in the notes.
37. Disclosure requirements are subjected to analysis under the proposed RDR framework.

Disclosure Objective/Principle

38. Some NZ IFRSs include paragraphs that require an entity to disclose information to meet a stated objective. For example, "An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period." (paragraph 44 of NZ IFRS 2 *Share-based Payment*). These paragraphs are then followed by more specific disclosure requirements to meet that objective.
39. In these circumstances, the paragraphs that require specific disclosures are subjected to analysis under the proposed RDR framework and the paragraphs that require an entity to meet a stated disclosure objective are reduced for Tier 2 for-profit entities.
40. Paragraphs 51 and 89 of NZ IFRS 16 *Leases*, issued in February 2016, include a disclosure objective without requiring an entity to provide any disclosures. Instead, disclosure requirements are set out in other paragraphs. Paragraphs 51 and 89 are, therefore, not reduced because they do not contain disclosure requirements.

Guidance

41. The disclosure requirements in NZ IFRS are often accompanied by guidance which is intended to assist entities in providing those disclosures. This guidance is generally kept for Tier 2 for-profit entities.
42. However, guidance about the presentation of information "in a tabular format, unless another format is more appropriate" is reduced to provide Tier 2 entities with more flexibility on how information is presented.

Disclosures that are Encouraged

43. Tier 2 for-profit entities are not required to provide disclosures that are encouraged (rather than required).

Reconciliations

44. Tier 2 for-profit entities are not required to provide reconciliations of opening balances to closing balances.
45. However, the individual items that make up that reconciliation are subjected to analysis under the proposed RDR framework because some of those items are Key Disclosure Areas. In these circumstances, the individual items that are a Key Disclosure Area are required to be disclosed by Tier 2 for-profit entities.

Cross-referencing in NZ IFRS

46. Sometimes a disclosure requirement or guidance includes a cross-reference to disclosure requirements or guidance in another NZ IFRS.
47. Where the cross-referencing is specific, (for example, a disclosure in NZ IFRS 3 *Business Combinations* includes a reference to paragraph 85 of NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), both paragraphs are either kept for, or not required to be considered by, Tier 2 entities.
48. Sometimes the cross-referencing is of a general nature (for example, a reference to NZ IAS 36 *Impairment of Assets* rather than to a specific paragraph in NZ IAS 36). These paragraphs are also kept for Tier 2 entities.

NZ IFRSs that are not Applicable to Tier 2 For-profit Entities

49. NZ IFRS 8 *Operating Segments* and NZ IAS 33 *Earnings per Share* do not apply to Tier 2 for-profit entities. Requirements in other NZ IFRSs that refer to these two standards without establishing any additional disclosure requirements are, therefore, not required to be provided by Tier 2 for-profit entities.

Question for Respondents

3. Do you agree with the proposed RDR decision-making framework and operational guidance as a whole for determining RDR for Tier 2 for-profit entities? If you disagree, please explain why.

50. The NZASB is also seeking feedback on the outcome of applying the proposed RDR framework to the disclosure requirements in NZ IFRS to determine the disclosure requirements for Tier 2 for-profit entities. The analysis of that application is contained in a separate document which does not form part of ED NZASB 2017-1. This is provided to enable constituents to provide feedback on the proposed RDR framework and its application.

Question for Respondents

4. Do you agree with the outcome of the application of the proposed RDR-decision making framework and operational guidance to the disclosure requirements in NZ IFRS to determine the disclosure requirements for Tier 2 for-profit entities? If you disagree with the outcome, please identify, with reasons:
 - (a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and
 - (b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide.

2.4 Different Approaches when Applying the Proposed RDR Framework

51. Over the course of this joint project, differences in approach to applying the proposed RDR framework have arisen between the NZASB and the AASB.
52. As discussed earlier, this is largely a factor of differences in the financial reporting frameworks in Australia and New Zealand. For example, in Australia entities

preparing GPFS with Reduced Disclosure Requirements may be moving from SPFS, generally with an increase in disclosures, not just moving from Tier 1 GPFS. In addition, in Australia, IFRS is used as the base for for-profit, public sector and not-for-profit standards. Modifications are generally made by way of separate appendices. The AASB approach is therefore intended to reflect existing understood practice and balance the different interests.

53. In New Zealand, all entities that have (or previously had) a statutory requirement to prepare financial statements prepare GPFS. These entities have, therefore, been applying NZ IFRS or NZ IFRS Diff Rep⁷, which means the NZASB's approach is focused on entities that have been preparing GPFS for some time rather than entities previously preparing SPFS.
54. Despite these differences, as noted earlier, the outcome of applying the proposed RDR framework is expected to result in substantially the same disclosure requirements for Tier 2 entities in Australia and Tier 2 for-profit entities in New Zealand.

Disclosures about Accounting Policies

55. NZ IAS 1 *Presentation of Financial Statements* requires an entity to disclose its significant accounting policies comprising the measurement basis (or bases) used in preparing the financial statements and the other accounting policies used that are relevant to an understanding of the financial statements (paragraph 117). Paragraphs 118–121 provide guidance for meeting the requirements of paragraph 117.
56. Other NZ IFRSs also contain requirements for an entity to disclose its accounting policy for particular types of transactions. For example, NZ IAS 2 *Inventories* requires an entity to disclose the accounting policies adopted in measuring inventories, including the cost formula used (paragraph 36(a)) and NZ IFRS 15 *Revenue from Contracts with Customers* requires an entity to disclose the methods used to recognise revenue (for example, a description of the output methods or input methods used and how those methods are applied (paragraph 124(a))).
57. The AASB proposes to place reliance on the requirements in AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* for Tier 2 entities to disclose significant accounting policies applied in the preparation of the financial statements. The reasons for this are:
 - (a) The note in the financial statements about accounting policies is often a repeat of the requirements of the standard dealing with that type of transaction.
 - (b) The RDR requirements are a self-contained package of disclosures and reliance on other parts of the package are fundamental to its construct. This is the approach of the IASB's *IFRS for SMEs* standard – “the *IFRS for SMEs* has specific disclosure requirements for accounting policies when a choice of models or methods is permitted because, when the related transactions are material, this would normally mean that the disclosure of the accounting policy applied is important in understanding the financial statements. The IASB thinks that when a choice of accounting policy is not available, the general requirement in paragraph 8.5 of the *IFRS for SMEs* to disclose

⁷ NZ IFRS Diff Rep comprised NZ IFRS with differential reporting concessions, which contained both recognition and measurement concessions and disclosure concessions. NZ IFRS Diff Rep was withdrawn effective from 1 April 2015.

'...accounting policies used that are relevant to an understanding of the financial statements' is sufficient." [*IFRS for SMEs* Standard paragraph BC253]

- (c) The AASB proposes to include in the AASB appendix⁸ to each standard that contains disclosure requirements a paragraph that the disclosure requirements in AASB 101 and AASB 108 about accounting policies apply where relevant. Likewise, AASB 101 and AASB 108 would include similar messages.
58. As a result, the paragraphs requiring disclosures about accounting policies (and any related guidance) in other accounting standards would be reduced for Tier 2 entities in Australian Accounting Standards. In other words, other accounting standards would not contain specific requirements about accounting policy disclosures; however, Tier 2 entities might still be required to provide accounting policy disclosures relating to the topics covered in those other standards, if necessary to meet the general requirements in AASB 101 and AASB 108.
59. The NZASB is of the view that relying solely on the requirements in paragraphs 117–121 of NZ IAS 1 *Presentation of Financial Statements* for disclosures about accounting policies is not appropriate for the following reasons.
- (a) As discussed in section 2.6, the NZASB is proposing to retain its current approach of using an asterisk (*) for identifying disclosure concessions within the body of each accounting standard. As with the existing NZ IFRS RDR and previous differential reporting regimes, Tier 2 for-profit entities are not required to provide disclosures when a disclosure requirement has been identified as an RDR concession.
- (b) As a consequence, confusion could arise if disclosures about accounting policies are required by NZ IAS 1 but are identified as a disclosure concession in a standard dealing with a specific type of transaction or event. Constituents could question which standard prevails – NZ IAS 1, under which a Tier 2 for-profit entity is required to provide the disclosure, or the other standard, under which the inclusion of an RDR concession might give the impression that a Tier 2 for-profit entity is not required to provide the disclosure.
- (c) Disclosures about accounting policies in standards other than NZ IAS 1 are included in the context of the disclosures about a specific type of transaction. Relying on the general requirement in NZ IAS 1 could result in inadequate or non-disclosure of accounting policies that are material for that entity in the context of the transaction which the standard is dealing with.
60. Therefore, the NZASB proposes to keep the requirement to disclose accounting policies in all standards that contain this requirement.

Question for Respondents

5. Do you agree with the approach taken by the NZASB regarding disclosures about accounting policies? If you disagree, please explain why.

⁸ The AASB is proposing to include, in an AASB appendix to each standard that contains disclosure requirements, those disclosure requirements that Tier 2 entities would be required to provide.

Guidance

61. The disclosure requirements in accounting standards are often accompanied by guidance which is intended to assist preparers in providing those disclosures.
62. In limited circumstances, the AASB proposes to reduce guidance for disclosures that are kept for Tier 2 entities where the guidance is of a general nature and is, therefore, considered to be unnecessary for Tier 2 entities in meeting those disclosure requirements. For example, paragraph 112 of AASB 15 *Revenue from Contracts with Customers* explains that an entity need not disclose information in accordance with the Standard if it has provided the information in accordance with another standard.
63. The NZASB proposes to keep all guidance related to disclosure requirements because the guidance is intended to assist preparers in providing the disclosures.

Question for Respondents

6. Do you agree with the approach taken by the NZASB regarding guidance for disclosure requirements? If you disagree, please explain why.

Cross-referencing in Standards

64. Sometimes a disclosure requirement or guidance in an accounting standard contains a cross-reference to another standard.
65. Where the cross-referencing is specific (for example a disclosure requirement in NZ IFRS 3 *Business Combinations* includes a reference to paragraph 85 of NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), the Boards propose that both paragraphs are either kept or reduced for Tier 2 for-profit entities.
66. Sometimes, the cross-referencing is of a general nature, for example, paragraph 96 of NZ IFRS 16 *Leases* requires a lessor to apply the disclosure requirements in NZ IAS 36, NZ IAS 38, NZ IAS 40 and NZ IAS 41 for assets subject to operating leases.
67. Where the cross-reference is of a general nature, the AASB proposes to reduce the paragraph containing the cross-reference to another standard(s). This is because, in these circumstances, the AASB considers the cross-reference to be a duplication of disclosure requirements (that is, entities would apply the disclosure requirements in the other standards in any event). Hence, the removal of the cross-reference is intended to remove what the AASB considers to be a duplication of requirements.
68. However, the NZASB proposes to keep all paragraphs that contain a cross-reference to another standard. This is because reducing the paragraphs containing the cross-references to other standards might be misinterpreted as implying that Tier 2 for-profit entities are not required to comply with the disclosure requirements in those other standards.

Question for Respondents

7. Do you agree with the approach taken by the NZASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why.

Difference between Australian RDR and New Zealand RDR for Tier 2 for-profit entities

69. Paragraphs 19–24 of NZ IAS 1 deal with departures from a requirement of an NZ IFRS.
70. The Board proposes to retain these paragraphs for Tier 2 for-profit entities whereas the AASB proposes not to retain these paragraphs for Tier 2 entities.
71. The reason for this difference is a legislative matter that is outside the remit of the accounting standards boards. In Australia, the legislation prohibits an entity from departing from a requirement in an accounting standard. A similar prohibition was contained in the Financial Reporting Act 1993 but it has not been carried over into the Financial Reporting Act 2013.
72. It is, therefore, appropriate for Tier 2 entities to provide the disclosures required by NZ IAS 1 if those entities depart from a requirement of an NZ IFRS.

2.5 Summary of the Differences between Current RDR and RDR Applying the Proposed RDR Framework

73. When comparing current RDR with the new proposals, the following need to be taken into account:
 - (a) in many instances the disclosure requirements under the proposed RDR framework are different from the current disclosure requirements so the change in RDR cannot be quantified;
 - (b) additional RDR paragraphs cater for more partial concessions than were previously identified;
 - (c) some guidance that was previously identified as a concession is now being kept because it is guidance rather than a disclosure requirement;
 - (d) a few concessions are being removed because they are presentation requirements rather than disclosure requirements; and
 - (e) although reconciliations are not required under the proposed RDR framework, disclosure is required of some of the individual items in those reconciliations.
74. No changes are proposed to the disclosure requirements for Tier 2 for-profit entities in:
 - (a) NZ IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*;
 - (b) NZ IAS 23 *Borrowing Costs*;
 - (c) FRS-44 *New Zealand Additional Disclosures*; and
 - (d) NZ IFRIC 14 *NZ IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.
75. The most substantial reductions are proposed to:
 - (a) NZ IFRS 7 *Financial Instruments: Disclosures*;

- (b) NZ IFRS 12 *Disclosure of Interests in Other Entities*;
- (c) NZ IFRS 14 *Regulatory Deferral Accounts* – there is currently no RDR;
- (d) NZ IFRS 16 *Leases* – there is currently no RDR; and
- (e) NZ IAS 7 *Statement of Cash Flows* – RDR is proposed for the amendments approved in June 2016 (the addition of paragraphs 44A–44E).

76. In respect of the standards not mentioned in paragraphs 74 and 75 above, there are either fewer disclosure requirements under the new proposals or the number of requirements has not changed, only the requirements themselves have changed.

2.6 Identifying RDR for Tier 2 For-profit Entities

77. The NZASB proposes to continue with the current approach of using an asterisk (*) for identifying disclosures that Tier 2 for-profit entities are not required to provide and explaining partial concessions by means of an RDR paragraph.

78. As mentioned earlier, the AASB proposes to include, in an AASB appendix to each standard that contains disclosure requirements, those disclosure requirements that Tier 2 entities would be required to provide. This would replace the current approach of shading disclosures that Tier 2 entities are not required to provide.

79. An example of the AASB’s proposed approach is included as Appendix B.

Question for Respondents

8. Do you agree with the proposal to retain the approach of using an asterisk (*) for disclosures that Tier 2 entities are not required to provide and explaining partial concessions by means of an RDR paragraph? If you disagree, please provide, with reasons, an alternative approach for consideration.

2.7 Effective Date and Other Comments

80. The disclosure requirements in the ED include consequential amendments made to NZ IFRSs by NZ IFRS 9 *Financial Instruments* and NZ IFRS 15 *Revenue from Contracts with Customers* (which are both effective for annual periods beginning on or after 1 January 2018), NZ IFRS 16 *Leases* (which is effective for annual periods beginning on or after 1 January 2019) and all other amendments made to the disclosure requirements in NZ IFRSs which are effective for annual periods beginning on or after 1 January 2018.

81. The NZASB proposes that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019, with early application permitted for annual periods beginning on or after 1 January 2018. By restricting early application to annual periods beginning on or after 1 January 2018 this avoids any mismatch in disclosure requirements that could arise from an entity early adopting the disclosure concessions before it applies the consequential amendments to those NZ IFRSs that are effective from 1 January 2018.

82. In addition to restricting early adoption, it is proposed that the concessions for NZ IAS 40 *Investment Properties* be available only when an entity applies NZ IFRS 16 *Leases*.

Questions for Respondents

9. Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019, with early application permitted for annual periods beginning on or after 1 January 2018 (with early adoption of the concessions in NZ IAS 40 permitted only when an entity also applies NZ IFRS 16)?
10. Do you have any other comments on the ED?

Appendix A: [Draft] Joint Policy for Determining RDR for Tier 2 Entities



Australian Government
Australian Accounting Standards Board



NZ ACCOUNTING
STANDARDS
BOARD

[Draft] Policy for Determining RDR for Tier 2 Entities in Australia and Tier 2 For-profit Entities in New Zealand

[date]

Approved by the AASB and NZASB for application from [date]

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External Reporting Board

PO Box 11250

Manners St Central, Wellington 6142

New Zealand

<http://www.xrb.govt.nz>

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Preface

The Australian Accounting Standards Board (AASB) and the New Zealand Accounting Standards Board (NZASB) apply the RDR decision-making framework, together with its accompanying operational guidance to the disclosure requirements in Australian Accounting Standards/New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) to identify which of those disclosure requirements should be reduced for Tier 2 entities in each jurisdiction.

The framework is based on Key Disclosure Areas which result in information that meets user needs.

The Key Disclosure Areas are:

- (a) current liquidity and solvency of the entity; and
- (b) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements. This comprises disclosures about:
 - (i) the nature of the transaction or event that makes it significant or material to the entity;
 - (ii) associated risks specific to a transaction or event;
 - (iii) associated accounting policy on recognition or measurement specific to a transaction or event;
 - (iv) associated significant estimates and judgements specific to a transaction or event;
 - (v) commitments and contingencies;
 - (vi) impairment;
 - (vii) related parties; and
 - (viii) subsequent events.

Judgement is required when applying this framework, and the overarching principles of user needs and cost-benefit are considered when determining the disclosures that relevant Tier 2 entities in each jurisdiction should make.

When it is necessary to identify specific aspects of the RDR process and framework particular to the Australian or New Zealand jurisdiction, this document uses "Aus" and "NZ" prefixed paragraphs.

1. Introduction

1. The objective of this Policy Statement is to have accounting requirements for Tier 2 entities¹ in each jurisdiction to balance the costs and benefits of financial reporting. This Policy Statement is the result of deliberations by the Australian Accounting Standards Board (AASB) and the New Zealand Accounting Standards Board (NZASB) in determining disclosure requirements for Tier 2 entities in each jurisdiction.

Aus1.1 In accordance with AASB 1053 *Application of Tiers of Accounting Standards*, Tier 2 requirements (otherwise known as Reduced Disclosure Requirements (RDR)) comprise the recognition and measurement requirements of Tier 1 but substantially reduced disclosure requirements. Except for the presentation of a third statement of financial position under Tier 1, the presentation requirements under Tier 1 and Tier 2 are the same.

Aus1.2 Tier 2 reporting requirements, as a minimum, apply to the general purpose financial statements of the following types of entities:

- (a) for-profit private sector entities that do not have public accountability²;
- (b) not-for-profit private sector entities; and
- (c) public sector entities, whether for-profit or not-for-profit, other than the Australian Government and State, Territory and Local Governments.

These types of entities may elect to apply Tier 1 reporting requirements in preparing general purpose financial statements.

NZ 1.1 Tier 2 For-profit Accounting Requirements have the same recognition and measurement requirements as Tier 1 For-profit Accounting Requirements but with disclosure concessions (that is, a reduced disclosure regime (RDR)). The Tier 2 For-profit Accounting Requirements are referred to as the New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (NZ IFRS RDR).

NZ 1.2 In accordance with the Accounting Standards Framework³, for-profit entities that have a statutory obligation to prepare general purpose financial reports and do not have public accountability, as defined for financial reporting purposes, may report in accordance with Tier 2 For-profit Accounting Requirements⁴.

¹ In New Zealand, the reference to 'Tier 1 entities' and 'Tier 2 entities' in this Policy should be read as 'Tier 1 for-profit entities' and 'Tier 2 for-profit entities' respectively.

² Public accountability is defined and explained in Appendices A and B of AASB 1053.

³ The Accounting Standards Framework was approved by the Minister of Commerce in April 2012. It comprises different sets of accounting standards for for-profit entities and for public benefit entities, together with a formalised tier structure.

⁴ A for-profit public sector entity may elect to report in accordance with Tier 2 For-profit Accounting Requirements if it does not have public accountability and it is not large (a for-profit public sector entity is not large if it has total expenses of \$30m or less).

2. This Policy Statement sets out the RDR decision-making framework and its accompanying operational guidance that the AASB and the NZASB apply to develop disclosure requirements for Tier 2 entities in Australia and New Zealand.
3. This Policy Statement was first issued in [date]. It may be reviewed periodically.

2. Basis for Development of RDR Decision-making Framework

4. The RDR decision-making framework has been developed to provide a consistent basis for determining the minimum disclosure requirements (or the disclosure concessions) for Tier 2 entities.
5. Although judgement is required in applying this framework, it should generally result in similar conclusions when applied by the AASB and the NZASB in determining the disclosure requirements for Tier 2 entities in each jurisdiction.
6. The overarching principles of this framework are that:
 - (a) the information provided by the financial statements meets user needs; and
 - (b) the benefits of providing the disclosures exceed the costs.
7. AASB 1053 *Application of the Tiers of Australian Accounting Standards*/XRB A1 *Application of the Accounting Standards Framework* sets out the eligibility criteria that entities in each jurisdiction must meet to report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements/NZ IFRS RDR. This RDR decision-making framework does not change those criteria.

3. RDR Decision-making Framework

8. Two Key Disclosure Areas have been identified as being essential for meeting user needs. Those Key Disclosure Areas are:
 - (a) current liquidity and solvency of the entity; and
 - (b) transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements. This comprises disclosures about:
 - (i) the nature of the transaction or event that makes it significant or material to the entity;
 - (ii) associated risks specific to a transaction or event;
 - (iii) accounting policy on recognition or measurement specific to a transaction or event;
 - (iv) significant estimates and judgements specific to a transaction or event;
 - (v) commitments and contingencies;
 - (vi) impairment;
 - (vii) related parties; and
 - (viii) subsequent events.
9. The disclosures about transactions and other events that are significant or material to an understanding of the entity's operations as represented by the financial statements are categorised broadly into:
 - (a) disclosures of a general nature that apply for all transactions and events (paragraph 8(b)(i)–(iv)); and
 - (b) specific disclosures about particular types of transactions and events (paragraph 8(b)(v)–(viii)).
10. The RDR decision-making framework is based on a rebuttable presumption that the benefits of providing the disclosures listed in paragraph 8 exceed the costs. Unless the standard setter rebuts that presumption, Tier 2 entities are required to make those disclosures.

Disclosure of Accounting Policies

11. AASB 101/NZ IAS 1 *Presentation of Financial Statements* and AASB 108/NZ IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* require disclosures about accounting policies and estimates and judgements.
12. Disclosures about accounting policies are also required in some standards dealing with particular types of transactions or topics, for example, AASB 102/NZ IAS 2 *Inventories* requires disclosure of the accounting policies adopted in measuring inventories, including the cost formula used.

Aus12.1 The AASB has decided to rely on the requirement in AASB 101 and AASB 108 for disclosures about accounting policies. To achieve this, the appendix to each standard that contains the disclosure requirements for Tier 2 entities includes a reminder that the disclosure requirements in AASB 101 and AASB 108 about accounting policies apply where relevant. Likewise, AASB 101 and AASB 108 include similar messages.⁵ Therefore, disclosures about accounting policies, other than those in AASB 101 and AASB 108, are reduced for Tier 2 entities and are not included in the appendix to each relevant standard.

NZ 12.1 The NZASB has decided to not rely solely on the requirements in NZ IAS 1 and NZ IAS 8 for disclosures about accounting policies. The NZASB considers that this avoids any confusion that might arise as a consequence of keeping the general disclosure about accounting policies in NZ IAS 1 and NZ IAS 8 while identifying the accounting policy for particular types of transactions or topics as a concession.

Benefits and Costs of Providing Disclosures

13. In some cases, the presumption that the benefits of providing a disclosure exceed the costs might be rebutted. For example, a standard might require extensive disclosures about a topic that is (or relates to) a Key Disclosure Area. In this situation, there could be some specific disclosures that provide little incremental benefit to users of the financial statements of Tier 2 entities, such that the benefits of that particular disclosure do not exceed the costs⁶. In these circumstances, the standard setter does not require Tier 2 entities to provide the disclosures.
14. Where a disclosure is not a Key Disclosure Area, there is a rebuttable presumption that the costs of providing the disclosures exceed the benefits. Unless the presumption is rebutted, Tier 2 entities are not required to make those disclosures.
15. In some cases, the standard setter might rebut the presumption that the costs of providing the disclosure exceed the benefits. For example, some disclosure requirements provide information about the reporting framework under which the financial statements are prepared, or information about the structure of the entity reporting (that is, whether the reporting entity is a group and the composition of that group). In this situation, the disclosure provides information that is beneficial for users of the financial statements of Tier 2 entities, such that the benefits of that

⁵ *AASB 101 Presentation of Financial Statements would include the following note upfront:*

In disclosing significant accounting policies relating to transactions and other events accounted for under Australian Accounting Standards, Tier 2 entities should refer to this Standard for relevant disclosure requirements. Should the entity assess that under this Standard disclosure of a significant accounting policy relating to transactions or other events dealt with under another Standard would be required, the entity might refer to disclosure requirements in the main body of that other Standard, if any, for guidance.

AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors would include the following note upfront:

For disclosures requirements relating to changes in accounting policies, Tier 2 entities should refer to this Standard.

⁶ An example would be paragraph 11A(c) in AASB 7/NZ IFRS 7 *Financial Instruments: Disclosures* which is assessed as a Key Disclosure Area (current liquidity and solvency). However, the presumption that the benefits of providing the disclosure exceed the costs is rebutted because this information is included in the carrying amount of financial instruments in accordance with paragraph 8, which is kept for Tier 2 entities. Therefore, Tier 2 entities would not be required to provide the disclosures under paragraph 11A(c).

particular disclosure exceed the costs. In these circumstances, Tier 2 entities are required to provide the disclosures.

Application of the RDR Decision-making Framework

16. This framework is applied by the AASB and the NZASB to the disclosure requirements in Australian Accounting Standards/NZ IFRS to determine the disclosure requirements for Tier 2 entities.
17. Although there are rebuttable presumptions, as discussed above, the overarching principles of user needs and cost-benefit are considered each time this framework is applied for determining the disclosure requirements for Tier 2 entities.

Operational Guidance

18. This operational guidance is used by the AASB and the NZASB to facilitate the application of the RDR decision-making framework.

Presentation vs Disclosure

19. An objective of the RDR decision-making framework is that the face of the financial statements of Tier 1 and Tier 2 entities would display the same information. As a consequence of this, the presentation⁷ requirements for Tier 1 and Tier 2 entities are the same. The RDR decision-making framework is concerned only with reducing the disclosure burden for Tier 2 entities. Sometimes judgement is required as to whether a particular requirement relates to presentation or disclosure.
20. The following guidance is used to distinguish between presentation and disclosure.
 - (a) Presentation requirements are requirements that specify, for the current and the comparative period, the broad structure of financial statements including the basis of classification of items.
 - (b) Requirements addressing additional line items, disaggregation and subclassification of line items on the face of the primary financial statements are considered to be presentation requirements.
 - (c) Specifications relating to additional line items and disaggregation to be disclosed in the notes are treated as matters of disclosure.
 - (d) Where a standard provides an option for disclosure of information either on the face of the financial statements or in the notes, this is considered a disclosure requirement and is assessed against the RDR decision-making framework to determine which disclosures, if any, Tier 2 entities are required to make.

⁷ The standards sometimes use the term presentation interchangeably with the term classification.

Disclosure Objective

21. Some Australian Accounting Standards/NZ IFRSs include paragraphs that require an entity to disclose information to meet a stated objective.⁸ These paragraphs are then followed by paragraphs that require specific disclosures to meet that stated objective.
22. In these circumstances, the paragraphs that require specific disclosures to meet the stated objective are subjected to analysis under the RDR decision-making framework and the paragraphs that require an entity to meet a stated disclosure objective are reduced for Tier 2 entities.
23. Some Australian Accounting Standards/NZ IFRSs include paragraphs that contain a disclosure objective without requiring an entity to provide any disclosures.⁹ These paragraphs are not disclosure requirements so they are not reduced for Tier 2 entities.

Guidance

24. The disclosure requirements in Australian Accounting Standards/NZ IFRS are often accompanied by guidance which is intended to assist entities in making those disclosures.
25. In general, guidance for disclosures that are required to be provided by Tier 2 entities is kept. However, where the guidance is about the presentation of information "in a tabular format unless another format is more appropriate" it is reduced to provide Tier 2 entities with flexibility on how information is presented.

Aus25.1 The AASB has decided to reduce some of the guidance for disclosures that are kept for Tier 2 entities, in particular where the guidance is considered to be unnecessary for Tier 2 entities in meeting the related disclosure requirement.

NZ 25.1 The NZASB has decided to keep all of the guidance that relates to disclosures that Tier 2 entities are required to provide.

Disclosures that are Encouraged

26. Where an Australian Accounting Standard/NZ IFRS encourages, rather than requires, a disclosure this is reduced for Tier 2 entities.
27. Reconciliations
28. A reconciliation required under Australian Accounting Standards/NZ IFRS is not required to be prepared by Tier 2 entities. However, the individual items in that

⁸ For example, paragraph 44 of AASB 2/NZ IFRS 2 *Share-based Payment*: "An entity shall disclose information that enables users of the financial statements to understand the nature and extent of share-based payment arrangements that existed during the period."

⁹ For example, paragraph 51 of AASB 16/NZ IFRS 16 *Leases*: "The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Paragraphs 52–60 specify requirements on how to meet this objective."

reconciliation are assessed against the RDR decision-making framework to determine which items, if any, Tier 2 entities are required to make.

Cross-referencing in Standards

29. Sometimes a disclosure or guidance in an Australian Accounting Standard/NZ IFRS includes a cross-reference to disclosure requirements in another Australian Accounting Standard/NZ IFRS.
30. Where the cross-referencing is specific (for example, a disclosure in AASB 3/NZ IFRS 3 *Business Combinations* includes a reference to paragraph 85 of AASB 137/NZ IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*), both paragraphs are either kept or reduced for Tier 2 entities. Cross-referencing can be of a general nature.

Aus29.1 The AASB has decided that where the cross-referencing is of a general nature¹⁰ this is reduced in Australian Accounting Standards for Tier 2 entities.

NZ 29.1 The NZASB has decided that where the cross-referencing is of a general nature, this is kept in NZ IFRS for Tier 2 entities.

Australian Accounting Standards/NZ IFRSs that are not Applicable to Tier 2 Entities

31. AASB 8/NZ IFRS 8 *Operating Segments* and AASB 133/NZ IAS 33 *Earnings per Share* do not apply to Tier 2 entities. Paragraphs in other Australian Accounting Standards/NZ IFRSs that refer to these two standards without establishing any additional disclosure requirements are, therefore, reduced for Tier 2 entities.

¹⁰ For example, paragraph 96 of AASB 16 includes a requirement for a lessor to apply the disclosure requirements in AASB 136, AASB 138, AASB 140 and AASB 141 for assets subject to operating leases.

4. Identifying Tier 2 Disclosure Requirements

Introduction

33. Although this Policy Statement has been developed jointly by the AASB and the NZASB, the Boards have a different approach to identifying the disclosure requirements for Tier 2 entities. However, the outcome of applying the Policy Statement is expected to generally be the same for Tier 2 entities in Australia and New Zealand.

Approach to Identifying Tier 2 Disclosure Requirements

Australia

34. The disclosures required to be provided by Tier 2 entities, along with the headings relevant to those disclosures, are included in an appendix to each Australian Accounting Standard that contains disclosure requirements.

New Zealand

35. The disclosures that Tier 2 entities are not required to provide are identified by means of an asterisk (*) next to the paragraph or subparagraph.
36. Partial concessions are identified by means of an asterisk (*) next to the paragraph and inclusion of an RDR paragraph which explains the disclosure requirements for Tier 2 entities.

Appendix B: Examples of Tier 2 Disclosure Requirements in Australian Accounting Standards

AASB 16 Leases

The following are the disclosures proposed to be identified in Appendix E of AASB 16 as disclosures required under Tier 2.

This appendix is an integral part of AASB 16.

- AusE1** The requirements of this appendix apply to Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. The disclosures identified in this appendix are all the disclosure requirements of AASB 16 that Tier 2 entities are required to comply with in preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.
- AusE2 Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the disclosure requirements of AASB 16 that are not required by this appendix.
- AusE3 The Australian Accounting Standards – Reduced Disclosure Requirements do not affect the face of the financial statements.
- AusE4 With respect to accounting policies, the disclosure requirements for Tier 2 entities in AASB 101 *Presentation of Financial Statements* (paragraphs 117-133) and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraphs 28-31 and 39-40) apply where relevant. Should the entity assess that under AASB 101 and/or AASB 108 disclosure of a significant accounting policy relating to transactions or other events dealt with under this Standard would be required, the entity might refer to disclosure requirements in the main body of this Standard, if any, for guidance.

Lessee

Disclosure

- 51** The objective of the disclosures is for lessees to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee. Paragraphs 52–60 specify requirements on how to meet this objective.
- 53 A lessee shall disclose the following amounts for the reporting period:
- (a) depreciation charge for right-of-use assets;
 - (b) interest expense on lease liabilities;
 - (c) the expense relating to short-term leases accounted for applying paragraph 6. This expense need not include the expense relating to leases with a lease term of one month or less;
 - (d) the expense relating to leases of low-value assets accounted for applying paragraph 6. This expense shall not include the expense relating to short-term leases of low-value assets included in paragraph 53(c);
 - (e) the expense relating to variable lease payments not included in the measurement of lease liabilities;
 - (f) income from subleasing right-of-use assets;
 - (g) total cash outflow for leases;
 - (i) gains or losses arising from sale and leaseback transactions; and
 - (j) the carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.
- 55 A lessee shall disclose the amount of its lease commitments for short-term leases accounted for applying paragraph 6 if the portfolio of short-term leases to which it is committed at the end of the reporting period is dissimilar to the portfolio of short-term leases to which the short-term lease expense disclosed applying paragraph 53(c) relates.

- 56 If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in AASB 140. In that case, a lessee is not required to provide the disclosures in paragraph 53(a), (f), (h) or (j) for those right-of-use assets.
- 57 If a lessee measures right-of-use assets at revalued amounts applying AASB 16, the lessee shall disclose the information required by paragraph 77 of AASB 16 for those right-of-use assets.
- 59 In addition to the disclosures required in paragraphs 53–58, a lessee shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 51 (as described in paragraph B48). This additional information may include, but is not limited to, information that helps users of financial statements to assess:
- (a) the nature of the lessee’s leasing activities;
 - (b) future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities. This includes exposure arising from:
 - (i) variable lease payments (as described in paragraph B49);
 - (ii) extension options and termination options (as described in paragraph B50);
 - (iii) residual value guarantees (as described in paragraph B51); and
 - (iv) leases not yet commenced to which the lessee is committed.
 - (c) restrictions or covenants imposed by leases; and
 - (d) sale and leaseback transactions (as described in paragraph B52).

Lessor

Disclosure

- 89 The objective of the disclosures is for lessors to disclose information in the notes that, together with the information provided in the statement of financial position, statement of profit or loss and statement of cash flows, gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessor. Paragraphs 90–97 specify requirements on how to meet this objective.**

- 90 A lessor shall disclose the following amounts for the reporting period:
- (a) for finance leases:
 - (i) selling profit or loss;
 - (ii) finance income on the net investment in the lease; and
 - (iii) income relating to variable lease payments not included in the measurement of the net investment in the lease.
 - (b) for operating leases, lease income,

- 92 A lessor shall disclose additional qualitative and quantitative information about its leasing activities necessary to meet the disclosure objective in paragraph 89. This additional information includes, but is not limited to, information that helps users of financial statements to assess:
- (a) the nature of the lessor’s leasing activities; and
 - (b) how the lessor manages the risk associated with any rights it retains in underlying assets. In particular, a lessor shall disclose its risk management strategy for the rights it retains in underlying assets, including any means by which the lessor reduces that risk. Such means may include, for example, buy-back agreements, residual value guarantees or variable lease payments for use in excess of specified limits.

Finance leases

- 93 A lessor shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases.
- 94 A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

Operating leases

- 97 A lessor shall disclose a maturity analysis of lease payments, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years.

Appendix B

Lessee disclosures (paragraph 59)

- B49 Additional information relating to variable lease payments that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example:
- (a) the lessee's reasons for using variable lease payments and the prevalence of those payments;
 - (b) the relative magnitude of variable lease payments to fixed payments;
 - (c) key variables upon which variable lease payments depend and how payments are expected to vary in response to changes in those key variables; and
 - (d) other operational and financial effects of variable lease payments.
- B50 Additional information relating to extension options or termination options that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example:
- (c) the prevalence of the exercise of options that were not included in the measurement of lease liabilities; and
- B51 Additional information relating to residual value guarantees that, depending on the circumstances, may be needed to satisfy the disclosure objective in paragraph 51 could include information that helps users of financial statements to assess, for example:
- (c) the nature of underlying assets for which those guarantees are provided; and

AASB 138 *Intangible Assets*

The following are the disclosures proposed to be identified in Appendix A of AASB 138 as disclosures required under Tier 2.

This appendix is an integral part of AASB 138.

- AusA1** The requirements of this appendix apply to Tier 2 entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements. The disclosures identified in this appendix are all the disclosure requirements of AASB 138 that Tier 2 entities are required to comply with in preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements.
- AusA2 Tier 2 entities applying Australian Accounting Standards – Reduced Disclosure Requirements may elect to comply with some or all of the disclosure requirements of AASB 138 that are not required by this appendix.
- AusA3 The Australian Accounting Standards – Reduced Disclosure Requirements do not affect the face of the financial statements.
- AusA4 With respect to accounting policies, the disclosure requirements for Tier 2 entities in AASB 101 *Presentation of Financial Statements* (paragraphs 117-133) and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* (paragraphs 28-31 and 39-40) apply where relevant. Should the entity assess that under AASB 101 and/or AASB 108 disclosure of a significant accounting policy relating to transactions or other events dealt with under this Standard would be required, the entity might refer to disclosure requirements in the main body of this Standard, if any, for guidance.

Disclosure

General

- 118** An entity shall disclose the following for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets:
- (a) whether the useful lives are indefinite or finite and, if finite, the useful lives or the amortisation rates used;
 - (b) the amortisation methods used for intangible assets with finite useful lives;
 - (c) the gross carrying amount and any accumulated amortisation (aggregated with accumulated impairment losses) at the beginning and end of the period;
- 119 A class of intangible assets is a grouping of assets of a similar nature and use in an entity's operations. Examples of separate classes may include:
- (a) brand names;
 - (b) mastheads and publishing titles;
 - (c) computer software;
 - (d) licences and franchises;
 - (e) copyrights, patents and other industrial property rights, service and operating rights;
 - (f) recipes, formulae, models, designs and prototypes; and
 - (g) intangible assets under development.
- The classes mentioned above are disaggregated (aggregated) into smaller (larger) classes if this results in more relevant information for the users of the financial statements.
- 121 AASB 108 requires an entity to disclose the nature and amount of a change in an accounting estimate that has a material effect in the current period or is expected to have a material effect in subsequent periods. Such disclosure may arise from changes in:
- (a) the assessment of an intangible asset's useful life;
 - (b) the amortisation method; or
 - (c) residual values.
- 122** An entity shall also disclose:
- (d) the existence and carrying amounts of intangible assets whose title is restricted and the carrying amounts of intangible assets pledged as security for liabilities.
 - (e) the amount of contractual commitments for the acquisition of intangible assets.

Intangible assets measured after recognition using the revaluation model

- 124 If intangible assets are accounted for at revalued amounts, an entity shall disclose the following:**
- (b) the amount of the revaluation surplus and any restrictions on the distribution of the balance to shareholders.**

Research and development expenditure

- 126 An entity shall disclose the aggregate amount of research and development expenditure recognised as an expense during the period**
- 127 Research and development expenditure comprises all expenditure that is directly attributable to research or development activities (see paragraphs 66 and 67 for guidance on the type of expenditure to be included for the purpose of the disclosure requirement in paragraph 126).



**NZ ACCOUNTING
STANDARDS
BOARD**

Memorandum

Date: 21 July 2017

To: NZASB Members

From: Vanessa Sealy-Fisher and Tim Austin

Subject: **For-profit RDR**

Action required¹

1. This agenda item provides a high-level summary of the feedback received on all of the questions in the Invitation to Comment which accompanied ED NZASB 2017-1 *Amendments to RDR for Tier 2 For-profit Entities* (ED NZASB 2017-1). The focus at this meeting is on Questions 1–3 and 5–8, which deal with the proposed RDR-decision-making framework, the Board’s approaches to the disclosure of accounting policies and the inclusion of paragraphs which contain guidance or cross-references, and the method of identifying RDR.
2. A detailed analysis of the responses to the individual disclosures and concessions proposed (Question 4) and a proposed effective date (Question 9) will be tabled at a future meeting for consideration.
3. The Board is asked to:
 - (a) NOTE the high-level summary of the feedback received on ED NZASB 2017-1 and AASB ED 277 *Reduced Disclosure Requirements for Tier 2 Entities* (AASB ED 277);
 - (b) DECIDE whether to progress this project and, if so, AGREE the next steps for working jointly with the Australian Accounting Standards Board (AASB) and
 - (c) AGREE that no further action is required regarding Questions 5–8 in the Invitation to Comment.

Background

4. The Board issued ED NZASB 2017-1 and its accompanying Invitation to Comment (ITC) in January 2017. Comments were due by 29 May 2017. The Board received eight submissions.
5. The EDs proposed a joint AASB/NZASB Policy for Determining RDR for Tier 2 Entities in Australia and Tier 2 For-profit Entities in New Zealand and, as a consequence, amendments to the current disclosure requirements for Tier 2 for-profit entities.

¹ This memo refers to the work of the International Accounting Standards Board (IASB) and uses registered trademarks of the IFRS Foundation (for example, IFRS® Standards, IFRIC® Interpretations and IASB® papers).

6. Feedback on the proposals in ED NZASB 2017-1 was sought from the Technical Reference Group (TRG) at its February meeting. The matters raised by members of the TRG have been included in the submissions received from TRG members.
7. Although a webinar was presented before the May Board meeting, no feedback on the proposals was received during that webinar.
8. The AASB issued AASB ED 277 in January 2017. Comments were due by 26 May 2017. The AASB received 14 submissions. The AASB also conducted three roundtables and presented a webinar.
9. In this memo, ED NZASB 2017-1 and AASB ED 277 are referred to as “the EDs” when comments apply to both documents.

Structure of this memo

10. The remainder of this memo is set out as follows:
 - (a) submissions received;
 - (b) overview of the feedback received;
 - (c) a summary of responses by question;
 - (d) next steps; and
 - (e) recommendations.

Submissions received

11. Submissions on ED NZASB 2017-1 have been received from the following respondents.

	Respondent	Role
NZR1	BDO New Zealand	Professional Services Firm
NZR2	CA ANZ	Professional Body
NZR3	EY New Zealand	Professional Services Firm
NZR4	Audit New Zealand (in consultation with OAG);	Public Sector Auditor
NZR5	Audit New Zealand – Tax Director	Public Sector Auditor
NZR6	CPA Australia	Professional Body
NZR7	KPMG New Zealand	Professional Services Firm
NZR8	Financial Markets Authority (FMA)	Regulator

12. Submissions on AASB ED 277 have been received from the following respondents.

	Respondent	Role
AR1	John Church	Not-for-Profit consultant
AR2	Heads of Treasuries Accounting and Reporting Advisory Committee	Public Sector Advisory Committee
AR3	Keith Reilly	Not-for-Profit consultant

	Respondent	Role
AR4	Australian Charities and Not-for-Profit Commission	Not-for-Profit Private Sector Regulator
AR5	PWC	Professional services firm
AR6	CA ANZ	Professional Body
AR7	Australasian Council of Auditors-General	Public Sector Advisory Committee
AR8	BDO Australia	Professional services firm
AR9	CPA Australia	Professional Body
AR10	Australian Institute of Company Directors	Professional Body
AR11	Grant Thornton	Professional Services Firm
AR12	The Institute of Public Accountants	Professional Body
AR13	EY	Professional services firm
AR14	KPMG	Professional services firm

13. The New Zealand submissions are included at agenda items 9.3.1–9.3.8 in the supporting documents. Responses, collated by question, are set out in agenda item 9.2 in the supporting documents.
14. The Australian submissions are available on the AASB website at <http://www.aasb.gov.au/Work-In-Progress/Open-for-comment.aspx?id=2061>.
15. The NZASB received eight comment letters and the AASB received 14 comment letters. Two respondents, NZR2/AR6 (Chartered Accountants Australia and New Zealand) and NZR6/AR9 (CPA Australia) responded identically to the questions relevant for both Boards. Respondent NZR3/AR13 (EY) responded identically to AASB question 7/NZASB question 4, which sought feedback on the detailed disclosure requirements and disclosure concessions in Australian Accounting Standards/NZ IFRS, and consistently on all the other questions relevant for both Boards.
16. NZR5 (Audit New Zealand Tax Director) responded only to the proposals in NZ IAS 12 *Income Taxes*. NZR6/AR9 expressed general support for Questions 2–10 rather than responding to those questions. NZR8 (FMA) expressed general comfort with the overall policy framework and key disclosure areas, in particular the disclosures around solvency and liquidity and related party disclosures.

Overview of the feedback received

17. This memo provides a high-level overview of the comments received from respondents. Some comments have been paraphrased or combined. In order to gain a full understanding of respondents' comments it is necessary to read the complete submissions.
18. The responses to the EDs indicate support for the proposed Policy for Determining RDR for Tier 2 Entities in Australia and Tier 2 For-profit Entities in New Zealand. However, several respondents provided suggestions for improving the RDR framework and requests have also

been made for the Boards to reconsider the outcome of the application of the RDR framework to the disclosures in Australian Accounting Standards/NZ IFRS.

19. Some respondents disagreed with the proposed RDR framework, mainly on the basis that there were no significant reductions to the disclosures currently required under RDR.

Summary of responses by question

NZASB Question 1/AASB Question 1

Do you agree with the overarching principles on which the proposed RDR decision-making framework is based (that is, user needs and cost-benefit)? If you disagree, please explain why.

20. Six NZ respondents and 13 Australian respondents answered this question. We have classified the responses as:²

	New Zealand		Australia	
Agree	(NZR1, NZR2, NZR3, NZR4, NZR6 and NZR7)	6	AR2–AR14	13
No response	(NZR5 and NZR8)	2	AR1	1

21. Most respondents agree with the overarching principles on which the proposed RDR decision-making framework (RDR framework) is based (that is, user needs and cost-benefit). Some respondents sought further explanation and clarification on those overarching principles.

22. Comments from respondents included the following.

- (a) Recommendations that the framework explain the definition of financial statement users that was used in developing and applying the framework (NZR4) and “user needs” is further elaborated upon (including the users of charity financial reports) (NZR6, AR4 and AR9) and includes requirements for transparency and good governance (AR12).
- (b) Some guidance or examples to illustrate or explain the type of factors that will be considered when assessing ‘cost-benefit’ and ‘user needs’ would be useful (NZR7).
- (c) Benefits needs to be clearly defined as a benefit to a preparer through reduced cost which may be a detriment to a user through reduced information, and vice versa (AR4).
- (d) The decision on RDR concessions are determined at an overall level but materiality is entity specific. We suggest that there is clarification of how the RDR framework interacts with the assessment of materiality at the entity level (that is, notwithstanding the disclosure concessions, preparers of financial statements are still responsible to ensure the financial statements include disclosures necessary for users to understand

² There is judgment involved in classifying a response as “Agree” or “Partially agree”. The classifications that we have applied are shown in agenda item 9.2.

the impact of material/significant transactions and events on the financial position and performance of the entity) (NZR7).

23. We note that the Conceptual Framework identifies potential investors, lenders and other creditors as the primary users of financial statements (paragraph OB5) and discusses the cost constraint on useful financial reporting (paragraphs QC35–QC39). Paragraphs BC44–BC47 of the Basis for Conclusions on the IFRS for SMEs Standard also discusses user needs and cost-benefit considerations.

NZASB Question 2/AASB Question 2

Do you agree with the two Key Disclosure Areas identified as being essential to meet user needs? If you disagree with either Key Disclosure Area (including any of the specific disclosures about transactions and other events significant or material to understanding the entity’s operations as represented by the financial statements), please explain which one(s) you disagree with and why?

24. Six NZ respondents and 13 Australian respondents answered this question. We have classified the responses as:

	New Zealand		Australia	
Agree	(NZR1, NZR3 and NZR6)	3	(AR3, AR5, AR9, AR11, AR13, and AR14)	6
Partially agree	(NZR2, NZR4 and NZR7)	3	(AR2, AR4, AR6 and AR7)	4
Disagree	-	-	(AR8, AR10 and AR12)	3
No response	(NZR5 and NZR8)	2	(AR1)	1

25. Most respondents agree or partially agree, with the Key Disclosure Areas identified in the proposed RDR Framework. However, many respondents suggested modifications to the structuring of the KDAs.
26. Three New Zealand respondents encouraged the Board to develop a similar framework for Tier 2 public benefit entities (PBEs) (NZR1, NZR3 and NZR4). In light of these comments, we have included feedback from Australian respondents who are involved with public sector and private sector not-for-profit entities.
27. Comments from respondents included the following.
- (a) The specific areas of disclosure identified for the latter KDA encompass those disclosures related to significant or material transactions or events that are likely to be most useful to users of the financial statements of Tier 2 entities (NZR3/AR13).
 - (b) The use of the rebuttable presumptions is an appropriate way of operationalising the RDR decision-making framework but the assessment of cost versus benefits, and therefore determining when the presumptions are rebutted, will inevitably involve a degree of judgement (NZR3/AR13).

- (c) Several respondents provided suggestions for restructuring the KDAs, which included
 - (i) having three KDAs, comprising the first KDA and splitting the second KDA into general disclosures and specific disclosures, (ii) removing some of the specified disclosures because they are effectively covered by another disclosure (NZR1, NZR2, AR6 and AR8), and (iii) including the framework under which the financial statements are prepared and structure of the group explicitly within the KDAs (AR2).
 - (d) The requirements of the Disclosure Initiative should be linked into the discussion. If the requirements of the Disclosure Initiative are not addressed in this section of the Framework, users may find it difficult to determine when a particular issue that falls within the areas of (b)(v)–(vii) could be considered not material for disclosure purposes (NZR1).
 - (e) The wording “current liquidity and solvency” may put too much focus on short-term information and exclude appropriate focus on longer term financial viability. Recommend that the KDA be renamed along the lines of “liquidity, solvency and ongoing financial viability of the entity” (NZR4).
 - (f) AR4 expressed concern regarding the limited scope of users consulted to identify ‘user needs’ and to develop the Key Disclosure Areas and recommended that further outreach be undertaken, in particular users representing charities and the not-for-profit sector.
 - (g) Australian respondents from the public sector expressed the view that ‘Liquidity and Solvency’ may have limited application to the public sector whose main form of funding is through annual appropriations (AR2 and AR7). However, it was acknowledged that the application of materiality principles can be applied to reduce the provision of unnecessary information (AR7).
 - (h) Some Australian respondents would like the Boards to consider whether an additional KDA relating to accountability/stewardship/transparency is required (AR4 and AR7), but AR4 acknowledged that this would result in over-complication of the RDR framework.
28. Three Australian respondents disagreed with the Key Disclosure Areas. Their concerns are outlined below.
- (a) AR8 was of the view that the RDR framework does not allow a user to understand the measurement and judgement around material balances, not just transactions. This respondent was concerned with some of the wording in the second KDA, in particular
 - (i) use of the word ‘significant’, which is not defined, rather than only ‘material’,
 - (ii) disclosures based on transactions but not material asset balances, (iii) the broadness of ‘other events’, and (iv) some of the general and specific requirements.
 - (b) AR10 recommended a comprehensive study of user identification and user needs be undertaken before finalising the KDAs. The respondent compared the KDAs with the principles for user needs applied by the IASB when developing the IFRS for SMEs Standard, and expressed the view that the disclosures had increased applying the proposed KDAs.

- (c) AR12 does not believe that the RDR framework adequately deals with governance and transparency.

NZASB Question 3/AASB Question 3

Do you agree with the proposed RDR decision-making framework and operational guidance as a whole for determining RDR for Tier 2 for-profit entities? If you disagree, please explain why.

29. The AASB also sought comments on whether the disclosures required of not-for-profit entities are appropriate relative to the disclosures required of for-profit entities.
30. Six NZ respondents and 13 Australian respondents answered this question. We have classified the responses as:

	New Zealand		Australia	
Agree	(NZR1, NZR2 and NZR6)	3	(AR5, AR6, AR7, AR9, AR11, and AR14)	5
Partially agree	(NZR3, NZR4 and NZR7)	3	(AR2, AR4, AR8 and AR13)	4
Disagree	-	-	(AR3, AR10 and AR12)	4
No response	(NZR5 and NZR8)	2	(AR1)	1

31. Subject to their comments on question 2 (NZR3/AR13, NZR4, AR2, AR7 and AR8), most respondents agree or partially agree with the proposed joint Policy Statement as a whole.
32. Comments from respondents included the following.
- (a) The distinction between presentation and disclosure will not always be clear and judgement will sometimes be required. We would encourage the Board to consider the potential impact of the discussion of this matter in the IASB's POD Discussion Paper as far as it relates to the distinction for the purposes for determining RDR (NZR3/AR13).
- (b) Guidance should be added to the framework to reinforce that preparers of financial statements must still exercise judgement in determining whether a disclosure without a concession should be made on materiality grounds (NZR4).
- (c) Concerns with the treatment of paragraphs containing disclosure objectives. There is a concern that Tier 2 entities may not be able to claim compliance with Tier 2 requirements if the paragraphs containing disclosure objectives are retained but some of the disclosures to meet that objective are identified as concessions (NZR3/AR13). A further concern is the potential for confusion for preparers of financial statements if the paragraph containing a disclosure objective is identified as a concession (that is, a Tier 2 entity is 'exempted' from meeting the objective) but some of the disclosures to meet that objective are required (NZR7).
- (d) AR4 acknowledged that profitability and liquidity are important for a not-for-profit entity but not the sole focus because these entities are often mission oriented and the

achievement of that mission often comes at the expense of profit. Users have an equal interest in financial as well as non-financial disclosures.

- (e) AR14 expressed general support for a joint policy but is concerned about its practical application.

33. The respondents who disagreed with the joint policy as a whole did so for the following reasons.

- (a) AR3 supports the use of the IFRS for SMEs Standard as an option to for non-publicly accountable reporting entities (as is allowed by most overseas countries) and the simplified disclosures in AASB 101, 107, 108 and 1054 for non-reporting entities.
- (b) AR12 supports the concept of differential reporting but does not believe that RDR is the appropriate approach.

NZASB Question 4/AASB Question 7

Do you agree with the outcome of the application of the proposed RDR decision-making framework and operational guidance to the disclosure requirements in NZ IFRS to determine the disclosure requirements for Tier 2 for-profit entities? If you disagree with the outcome, please identify, with reasons:

- (a) which disclosures that are identified as requirements that you believe Tier 2 entities should not be required to provide; and
- (b) which disclosures that are identified as concessions that you believe Tier 2 entities should be required to provide

34. Seven NZ respondents and 14 Australian respondents answered this question. We have classified the responses as:

	New Zealand		Australia	
Agree	(NZR6 – general support)	1	(AR3)	1
Partially agree	(NZR1, NZR3, NZR4, NZR5 and NZR7)	5	(AR2, AR5, AR8, AR11 and AR13)	5
Disagree	(NZR2)	1	(AR6, AR10, AR12 and AR14)	4
No response	(NZR8)	1		-
Not specified	-	-	(AR1, AR4, AR7 and AR9)	4

35. Respondents had mixed views on the detailed proposals in the EDs. The concerns raised with the individual requirements and concessions will be tabled at a future meeting for consideration.³

³ Agenda item 9.2 contains New Zealand respondents’ detailed comments on the application of the framework to the disclosures in NZ IFRS.

36. Comments from respondents included the following.
- (a) Concerns regarding the application of the RDR framework to disclosure paragraphs that contain a disclosure objective (NZR3/AR13, NZR7 and AR7). (See also paragraph 32(c).)
 - (b) Inconsistencies in the application of the RDR framework, for example, disclosure of depreciation but not amortisation, disclosures about impairment of a CGU (group of units) when recoverable amount is based on value in use but concessions for the same disclosures when recoverable amount is based on fair value less costs of disposal.
 - (c) Concerns about:
 - (i) the reintroduction of qualitative and quantitative disclosures about risks arising from financial instruments (NZR1 and AR8) and some of the disclosures about hedging (AR8);
 - (ii) the lack of disclosures for transferred financial assets (NZR1); and
 - (iii) disclosures reinstated that are not KDAs but are required on the basis that the benefits of providing the disclosures exceed the costs (that is, the presumption that costs exceed benefits is rebutted) (AR8).
37. AR4 provided overall comments on the proposed disclosure requirements and concessions in some of the standards rather than providing comments on the specific proposals.
38. The respondents who disagree believe that the proposed policy has not resulted in a significant enough reduction in disclosure requirements for Tier 2 entities (NZR2, AR6, AR10 and AR12).

NZASB Question 5

Do you agree with approach taken by the NZASB regarding disclosures about accounting policies? If you disagree, please explain why.

39. Six NZ respondents answered this question. We have classified the responses as:

New Zealand		
Agree	(NZR1, NZR2, NZR3, NZR4, NZR6 and NZR7)	6
No response	(NZR5 and NZR8)	2

40. All six New Zealand respondents agreed with the NZASB’s approach regarding disclosures about accounting policies.
41. NZR3 encourages the NZASB to consider, in due course, the implications of the IASB’s Principles of Disclosure (POD) project on the disclosure of accounting policies by Tier 2 entities.

NZASB Question 6

Do you agree with approach taken by the NZASB regarding guidance for disclosure requirements? If you disagree, please explain why.

42. Six NZ respondents answered this question. We have classified the responses as:

New Zealand		
Agree	(NZR1, NZR3, NZR4, NZR6 and NZR7)	5
Disagree	(NZR2)	1
No response	(NZR5 and NZR8)	2

43. The majority of respondents agreed with the NZASB’s approach regarding guidance for disclosure requirements.

44. NZR2, who disagrees, is of the view that guidance of a general nature should not be kept.

NZASB Question 7

Do you agree with approach taken by the NZASB regarding cross-references to other standards that are general rather than specific? If you disagree, please explain why.

45. Six NZ respondents answered this question. We have classified the responses as:

New Zealand		
Agree	(NZR1, NZR3, NZR4, NZR6 and NZR7)	5
Disagree	(NZR2)	1
No response	(NZR5 and NZR8)	2

46. The majority of respondents agreed with the NZASB’s approach regarding cross-references to other standards where those cross-references are general rather than specific.

47. NZR2, who disagrees, is of the view that the disclosures will be required by the standard dealing with the specific type of transaction or event.

NZASB Question 8

Do you agree with the proposal to retain the approach of using an asterisk (*) for disclosures that Tier 2 entities are not required to provide and explaining partial concessions by means of an RDR paragraph? If you disagree, please provide, with reasons, an alternative approach for consideration.

48. Six NZ respondents answered this question. We have classified the responses as:

New Zealand		
Agree	(NZR1, NZR3, NZR4, NZR6 and NZR7)	5
Partially agree	(NZR2)	1
No response	(NZR5 and NZR8)	2

49. NZR2, who partially agrees, acknowledges that the current approach in New Zealand works well but encourages trans-Tasman harmonisation in this regard.
50. Respondents noted that (a) users of the accounting standards are familiar with this approach, which has been in use for over 20 years (NZR3, NZR4 and NZR7), and (b) the system works well and changes could lead to confusion for preparers (NZR1 and NZR3).

NZASB Question 9/AASB Question 10

Do you agree that, once approved, the amended Tier 2 disclosure requirements should be effective for annual periods beginning on or after 1 January 2019, with early application permitted for annual periods beginning on or after 1 January 2018 (with early adoption of the concessions in NZ IAS 40/AASB 140 only when an entity applies NZ IFRS 16/AASB 16)?

51. Six NZ respondents and 13 Australian respondents answered this question. We have classified the responses as:

	New Zealand		Australia	
Agree	(NZR1, NZR2, NZR3, NZR4, NZR6 and NZR7)	6	(AR2, AR4, AR5, AR6, AR7, AR9, AR10, AR11, AR12, AR13 and AR14)	13
No response	(NZR5 and NZR8)	2	(AR1)	1

52. Most respondents agree with the proposed effective date of the Tier 2 disclosure requirements.
53. NZR7 suggests that the NZASB clarify whether entities can early adopt the proposed RDR concessions on a disclosure-by-disclosure basis, a standard-by-standard basis, or as a whole.

NZASB Question 10

Do you have any other comments on the ED?

54. The following matters were raised by New Zealand respondents in addition to the specific matters on which comments were sought. These comments may have been made either in response to question 10 or in the cover letter.

Exemption for intermediate parent entities in NZ IFRS 10 (and NZ IAS 28)

- (a) NZR7 raised a concern with the current RDR concession provided in paragraph RDR 4.1 of NZ IFRS 10 *Consolidated Financial Statements*. The constituent is concerned that, in some cases, the concession will mean that the top New Zealand company will not be required to prepare consolidated financial statements. The respondent is of the view that the top company in New Zealand should always be required to prepare consolidated financial statements where such a company has a statutory requirement to prepare general purpose financial statements. (We propose to address this concern as part of the 2017 Omnibus Amendments to NZ IFRS – see agenda item 7).

IFRS for SMEs® Standard

- (b) NZR6 (and AR9) notes the reservations stated in the proposals about using the IFRS for SMEs Standard as the basis for RDR going forward. However, the respondent recommends that the Boards reconsider their stance, particularly in light of the adoption and modification of the IFRS for SMEs Standard in developing Financial Reporting Standard 102 in the United Kingdom that is applicable to qualifying SMEs. AR3 also expressed support for using the IFRS for SMEs Standard.

Departing from a rebuttable presumption when considering Key Disclosure Areas (KDAs)

- (c) NZR6 (and AR9) notes there are a number of instances where there has been a decision to depart from a KDA on the basis that either costs exceed benefits or vice versa. The respondent has been unable to identify any specific evidence that supports these decisions and suggests that, as the NZASB has an evidence based approach to standard setting, the NZASB provides the evidence that formed the basis for those decisions.

IASB Principles of Disclosure Discussion Paper

- (d) NZR6 (and AR9) notes that the IASB has recently issued a consultation paper proposing principles for disclosures. The respondent acknowledges that the RDR project is “self-contained” but suggests that the NZASB consider the IASB’s proposed principles of disclosure in finalising its revised RDR framework.
- (e) AR8 questions the necessity of progressing this project at this stage given the IASB’s POD Discussion Paper. The respondent would prefer that the RDR project take on board the outcomes of the IASB project, which can then be adapted for Tier 2 entities by developing suitable Key Disclosure Principles.

Pilot/field testing the proposals

- (f) NZR6 suggests that the NZASB undertake pilot testing of the proposed RDR framework to assist the NZASB in assessing whether the project’s objectives are likely to be fulfilled.
- (g) AR5 also recommended field testing for several types of entities to confirm whether the disclosures proposed will result in financial statements that provide the right level of information for the intended users.

Overall policy and key disclosure areas

- (h) NZR8 is comfortable with the overall policy framework and the key disclosure areas. In particular (a) the disclosures around the solvency and liquidity of the entity, and related party disclosures.

Next steps

55. If the Board agrees to progress this project as recommended below, we propose to work with AASB staff to progress this project as follows.

- (a) Table for consideration by the Boards the detailed feedback received that relates to the RDR decision-making framework (that is, the Joint Policy Statement), together with staff comments on that feedback and recommendations for amending the Joint Policy Statement.
- (b) Once we have Board agreement on the amended Joint Policy Statement, it would be applied to the disclosures in Australian Accounting Standards/NZ IFRS to determine the disclosure requirements for Tier 2 for-profit entities in New Zealand and all Tier 2 entities in Australia. When undertaking this task, feedback received on the detailed proposals would also be taken into account.

56. Board meetings for the remainder of 2017 are scheduled for the following dates:

Month	NZASB	AASB
August	2 nd	15 th
September	13 th	-
October	-	10 th -11 th
November	1 st	-
December	14 th	12 th -13 th

57. During the development of the EDs, we had a joint sub-committee. It is likely that at some point we will need feedback from a sub-committee when developing Board papers.

Recommendations

58. We recommend that the Board:

- (a) NOTES the high-level summary of feedback received from respondents to the EDs;
- (b) AGREES to progress this project jointly with the AASB;
- (c) AGREES the next steps outlined above; and
- (d) AGREES that no further action is required regarding Questions 5–8, that is, paragraphs that require the disclosure of accounting policies or contain guidance or cross-references will be kept and the current method of identifying RDR will also be kept.

Attachments

Agenda item 9.2: Responses collated by question (supporting papers)

Agenda item 9.31–9.3.8: Submissions received (supporting papers)