

Warren Allen, Chief Executive
External Reporting Board
Email: submissions@xrb.govt.nz

20 February 2017

Dear Warren

Auckland Council submission to ED NZASB 2016-9 Approved Budget and ED NZASB 2016-10 Impairment of Revalued Assets

Thank you for the opportunity to comment on the exposure drafts, *Approved Budgets* and *Impairment of Revalued Assets*.

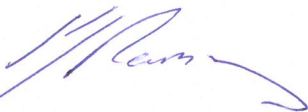
Auckland Council is Australasia's largest local government entity and is made up of the Council and six substantive council controlled organisations. We invest heavily in infrastructure and many of our decisions will have a fiscal impact on Auckland's future generations.

We have given our responses to the specific questions for the respondents as an attachment to this letter along with our additional comments for the XRB's consideration.

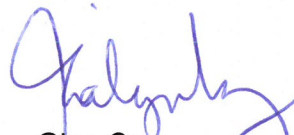
The responses in this letter were also reviewed and agreed with Auckland Transport, one of our council controlled organisations.

Once again, thank you for the opportunity to comment.

Yours sincerely



Kevin Ramsay
General Manager Corporate Finance
and Property
AUCKLAND COUNCIL



Gina Cruz
Group Accountant – Policies & Standards
AUCKLAND COUNCIL

Attachment – Auckland Council’s Responses to Specific Matters for Comment

Exposure Draft NZASB 2016-9 Approved Budget (Proposed Amendments to PBE IPSAS 1)

1. Do you agree with the proposal to remove references to an approved budget in PBE IPSAS 1 *Presentation of Financial Statements* (paragraph 21e)? If you disagree, please provide reasons.

Auckland Council’s response:

We agree with the revised paragraph focusing on the “general prospective financial statements”. In our experience, there has been some confusion in interpreting what an “approved budget” is. Smaller entities, managed by Auckland Council’s finance team, normally don’t issue prospective financial statements. However, these entities published their budgets for capital expenditures that are approved by their Board (e.g. through minutes of Board meetings or plan document).

This revised paragraph clarifies that these smaller entities don’t need to include a budget column in their financial statements as they don’t issue prospective financial statements.

2. Do you agree that any comparisons between prospective general purpose financial statements and historical financial statements can be presented either on the face of the financial statements or in the notes? If you disagree, please provide reasons.

Auckland Council’s response:

We agree with these proposed options as this works quite well with the recent streamline projects to the Auckland Council Group financial statements.

3. Do you agree with the proposed effective date of 1 January 2018, with early adoption permitted? If you disagree, please provide reasons.

Auckland Council’s response:

We agree with the proposed effective date and the option to early adopt.

4. Do you have any other comments on ED NZASB 2016-9?

Auckland Council’s response:

We have no other comments on the proposed revisions.

Exposure Draft NZASB 2016-10 Impairment of Revalued Assets (Proposed Amendments to PBE IPSASs 21 and 26)

1. Do you agree with the proposed amendments to PBE IPSAS 21 *Impairment of Non-Cash-Generating Assets* and PBE IPSAS 26 *Impairment of Cash-Generating Assets*? If not, please explain why not and identify what you think would be more appropriate.

Auckland Council's response:

We agree with the proposed amendments to PBE IPSAS 21 and PBE IPSAS 26. These proposed amendments will eliminate the difference between for-profit and public benefit entities wherein public benefit entities are not required to review and test for impairment the property, plant and equipment held at fair value.

Even though this is an additional exercise for the Group, we recognise that impairment arises from other instances not just from determining the rise or fall of fair value of the assets (or the revaluation process). Regular review of those revalued assets for impairment will help management in making better decisions such as writing-off assets that are damaged beyond economic repair or renewing assets with diminishing service potential.

2. Do you agree with the proposed amendments to PBE IPSAS 17 *Property, Plant and Equipment* and PBE IPSAS 31 *Intangible Assets*? If not, please explain why not and identify what you think would be more appropriate.

Auckland Council's response:

We agree with the proposed amendments to PBE IPSAS 17 and PBE IPSAS 31. These amendments clarify that an impairment of one asset in an asset class does not trigger full revaluation of the whole asset class, which we support.

3. Do you agree that there should be no RDR concessions for the new disclosures in PBE IPSAS 21 and PBE IPSAS 26? If you disagree, please provide reasons.

Auckland Council's response

Material impairment is a key financial statement disclosure, thus, we agree RDR concessions are not necessary.

4. Do you agree with the proposed effective date of 1 January 2019, with early adoption permitted? If you disagree, please provide reasons.

Auckland Council's response

We agree with the proposed effective date and the option to early adopt.

5. Do you have any other comments on the Exposure Draft?

Auckland Council's response

We have no further comments on the proposed revisions.

