

10 February 2017

Warren Allen
Chief Executive
External Reporting Board
PO Box 11250
Manners Street Central
Wellington 6142

Via email: submissions@xrb.govt.nz

Dear Warren

EXPOSURE DRAFT NZASB 2016-9 APPROVED BUDGET (PROPOSED AMENDMENTS TO PBE IPSAS 1)

Introduction

1. The purpose of this submission is to provide the New Zealand Accounting Standards Board (“NZASB”) with BDO’s comments on Exposure Draft NZASB 2016-9 *Approved Budget* (Proposed Amendments to PBE IPSAS 1) (“the Exposure Draft”). More information on BDO is provided in Appendix A to this letter. Thank you for the opportunity to comment on the Exposure Draft.
2. We acknowledge that this submission will be made publicly available.

General comments

3. BDO considers that high quality financial reporting standards are important to public benefit entities (“PBEs”). For that reason, BDO supports New Zealand’s adoption of International Public Sector Accounting Standards (“IPSAS”) and agrees that PBE Standards should be aligned with IPSAS to the greatest extent possible.
4. Nevertheless, BDO acknowledges that there are limited circumstances in which it is necessary for PBE Standards to deviate from IPSAS. We consider that such circumstances are usually limited to instances in which:
 - a) New Zealand’s legislative requirements are not reflected in, or conflict with the requirements of, IPSAS
 - b) A specific matter is not addressed in IPSAS
 - c) A matter that is addressed in IPSAS is not relevant to PBEs in New Zealand.

5. BDO notes that the term “approved budget” is not commonly used in New Zealand and is not defined in PBE Standards. BDO notes that, as a result of these factors, the use of the term in PBE IPSAS 1 *Presentation of Financial Statements* (“PBE IPSAS 1”) has in some instances created confusion for the preparers and auditors of financial statements.
6. BDO also notes that the term “general purpose prospective financial statements” is well understood in New Zealand and defined in PBE FRS 42 *Prospective Financial Statements* (“PBE FRS 42”) and that PBE IPSAS 1 states that the term is defined in PBE FRS 42.
7. BDO agrees that the most appropriate manner to eliminate any confusion created by the use of the term “approved budget” in PBE IPSAS 1 is to remove the term and instead refer only to general purpose prospective financial statements.
8. BDO consequently agrees that the amendments proposed in the Exposure Draft should be made.
9. BDO also notes, and supports, the NZASB’s intended effective date for adoption of the proposed amendments and agrees that early adoption of the proposed amendments should be permitted.

Responses to questions posed in the Exposure Draft

10. Our response to each of the questions posed in the Exposure Draft is provided in Appendix B to this letter.

Conclusion

11. We support the issue of a final standard based on the Exposure Draft, the proposed effective date and the proposal that early adoption of the amendments be permitted.
12. If you require further information, or would like to discuss any aspect of our submission further, please do not hesitate to contact Michael Rondel or, in his absence, Jackie Russell-Green.

Yours sincerely
BDO New Zealand



Michael Rondel
Audit Technical Director
+64 3 353 5527
michael.rondel@bdo.co.nz



Jackie Russell-Green
Technical Associate
+64 9 366 8083
jackie.russell-green@bdo.co.nz

**APPENDIX A:
INFORMATION ON BDO**

1. BDO is a network of eleven independently owned accounting practices, with fifteen offices located throughout New Zealand.
2. BDO firms in New Zealand offer a full range of accountancy services, including business advisory, audit, taxation, risk advisory, internal audit, corporate finance, forensic accounting and business recovery and insolvency.
3. BDO in New Zealand has 91 partners and over 750 staff.
4. BDO firms throughout New Zealand have a significant number of PBE clients.
5. Five BDO firms in New Zealand (BDO Auckland, BDO Christchurch, BDO Northland, BDO Waikato and BDO Wellington) are registered audit firms and fourteen audit partners are licensed auditors.
6. Internationally, BDO is the fifth largest full-service audit, tax and advisory firm in the world, with almost 60,000 people in 1,328 offices across over 152 territories.

**APPENDIX B:
RESPONSES TO QUESTIONS POSED IN THE EXPOSURE DRAFT**

1. Our response to each of the questions posed in the Exposure Draft is provided in the table below:

<i>Question</i>	<i>BDO response</i>
<p><i>Question 1:</i></p> <p>Do you agree with the proposal to remove references to an approved budget in PBE IPSAS 1 <i>Presentation of Financial Statements</i> (paragraph 21(e))? If you disagree, please provide reasons.</p>	<p>We agree with the proposal.</p>
<p><i>Question 2:</i></p> <p>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.</p>	<p>We agree that it should be permissible to present comparisons between prospective general purpose financial statements and historical financial statements either on the face of the financial statements or in the notes.</p>
<p><i>Question 3:</i></p> <p>Do you agree with the proposed effective date of 1 January 2018, with early adoption permitted? If you disagree, please provide reasons.</p>	<p>We agree with the proposed effective date. We agree that early adoption should be permitted.</p>
<p><i>Question 4:</i></p> <p>Do you have any other comments on ED NZASB 2016-9?</p>	<p>We do not have any additional comments.</p>