



16 February 2017

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

Dear Warren

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

We appreciate the opportunity to comment on Exposure Draft NZASB 2016-9 *Approved Budget* (Proposed Amendments to PBE IPSAS 1) (the exposure draft).

We are pleased that the New Zealand Accounting Standards Board (NZASB) is looking to amend the reference to approved budget in PBE IPSAS 1, *Presentation of Financial Statements*.


Although we support amending the reference to approved budget, we think the importance of prospective financial information to accountability and decision making in the public sector is diminished by allowing presentation of that information in the notes. As per the original drafting of paragraph 21(e) of PBE IPSAS 1, we are of the view that prospective financial information should be presented on the face of the primary financial statements, or as a separate financial statement, because budget to actual comparisons underpin accountability and decision-making in the public sector.

Our responses to the Questions for Respondents outlined in the *Invitation to Comment* are attached. Please note that our comments relate primarily to PBEs in the public sector.

Our comments on the exposure draft are a result of collaboration between staff at Audit New Zealand and the Office of the Auditor-General.

If you have any questions about our submission, please phone Todd Beardsworth, Assistant Auditor-General, Accounting and Auditing Policy on 021 244 0727 or email him at todd.beardsworth@oag.govt.nz.

Yours sincerely


Greg Schollum
Deputy Controller and Auditor-General

Our responses to the questions in the Invitation to Comment

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

Yes, we agree. This should eliminate any confusion caused by the use of that term.

- 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.**

No, we do not agree. We are of the view that comparisons between prospective general purpose financial statements and historical financial statements should be presented on the face of the financial statements, or as a separate financial statement.

In support of our view, we draw your attention to the PBE Conceptual Framework, which comments on the importance of publicly available plans and budgets. It is important in determining how well a public sector entity has met its objectives, and is necessary for accountability and informing decision-making.

In addition, the preface to the PBE Conceptual Framework notes that the importance of publicly available plans and budgets is a characteristic of public sector entities that will influence the development of PBE Standards.

We believe that the PBE Conceptual Framework elevates the presentation of prospective financial information, such that it isn't considered explanatory information (which is included in notes to the financial statements).

The original drafting of paragraph 21(e) of PBE IPSAS 1 had regard to the importance of where prospective financial information should be presented, by requiring it to be presented on the face of the financial statements, or as a separate financial statement. In our view PBEs in the public sector should be required to present prospective financial information in one of those two ways.

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

Yes, we agree with the proposed effective date.

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

No, we do not have any other comments.