

14 August 2019

Level 2, 100 Molesworth Street
Thorndon
PO Box 99, Wellington 6140

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

Dear Warren

NZASB Exposure Draft 2019-2 – 2019 Omnibus Amendments to NZ IFRS

We appreciate the opportunity to provide comments to the New Zealand Accounting Standards Board on ED 2019-2.

The only aspect of the proposals on which we have detailed comments is the proposed deletion of the paragraphs in FRS-44 *New Zealand Additional Disclosures* that deal with the elements in the statement of service performance. We provide these comments and our responses to the specific questions asked by the NZASB in the attached document.

If you would like to discuss our comments, please phone me on 021 222 6107 or email me at robert.cox@auditnz.govt.nz.

Yours sincerely



Robert Cox
Director and Head of Accounting

Our responses to the questions in the Invitation to Comment accompanying NZASB ED 2019-2: 2019 Omnibus Amendments to NZ IFRS

1. Do you agree with the proposal to defer the mandatory effective date of *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to NZ IFRS 10 and NZ IAS 8) to annual periods beginning on or after 1 January 2025? If you disagree, please explain why.

Yes we agree with the proposal.

2. Do you agree with the proposed amendment to *FRS-44 New Zealand Additional Disclosures* that, if an IFRS has been issued by the IASB but the equivalent NZ IFRS has not yet been issued by the XRB, an entity is required to disclose the information in paragraphs 30 and 31 of NZ IAS 8 in relation to that IFRS? If you disagree, please explain why.

Yes we agree with the proposal.

3. Do you agree that paragraph 6.1 of *FRS-44* should be identified as a disclosure concession for Tier 2 for-profit entities? If you disagree, please explain why.

Yes we agree with the proposal.

4. Do you agree with the proposed amendments to *FRS-44 New Zealand Additional Disclosures* to delete the paragraphs dealing with the elements in the statement of service performance? If you disagree, please explain why.

Although we understand the reasons for the proposal (as set out in new paragraph BC4), we have some concerns that the removal of these paragraphs will leave a vacuum for those for-profit entities that are required to report performance information that complies with GAAP. They will have a legislative requirement for their performance information to comply with GAAP, but no applicable GAAP.

We believe that there are only a very small number of for-profit entities in the public sector that are required to report performance information that complies with GAAP. This includes some for-profit Crown entities and Crown-owned companies, such as the New Zealand Lotteries Commission, the Public Trust and Southern Response Earthquake Services Limited. Nevertheless we consider that there should be a steer for such entities on relevant GAAP expectations. One way to achieve this could be to formally refer such entities to either the principles or specific requirements in PBE FRS 48.

We also note that there are a substantial number of for-profit entities in the public sector that have a requirement to produce performance information, but no legislative requirement for this performance information to comply with GAAP. The main examples are council controlled trading organisations and energy companies. Although these entities have no legislative requirement to comply with GAAP, these entities might choose to refer to GAAP for guidance on good practice in service performance reporting.

5. Do you agree with the proposed effective date of annual reporting periods beginning on or after 1 January 2020, with early adoption permitted? If you disagree, please explain why.

Yes we agree with the proposal.

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

No.