



6 November 2019

Secretariat
Governance and Administration Committee
Select Committee Services
Parliament Buildings
Wellington 6160

Dear Sir/Madam

Submission on the Auckland Regional Amenities Funding Amendment Bill

Introduction

1. The External Reporting Board (XRB) is pleased to have the opportunity to comment on the Auckland Regional Amenities Funding Amendment Bill.
2. The XRB supports the intent of this Bill because it removes the unforeseen consequences that occurred on the amendment to the Charities Act 2005 in 2013. This amendment resulted in the specified amenities in the Auckland region within the scope of the Auckland Regional Amenities Funding Board (which are all registered charities and which have determined that they are Tier 1 or Tier 2 public benefit entities) being required to prepare two sets of financial statements, one set complying with NZ IFRS, and one set complying with PBE Standards.

XRB's role, responsibilities and focus

3. The XRB is an independent Crown Entity responsible for financial reporting strategy and the development and issue of accounting, and auditing and assurance, standards in New Zealand.
4. New Zealand Government legislation determines **who** is required to report, for example, not-for-profits being registered charities. The XRB is responsible for **what** these entities are required to report, being XRB standards.
5. Under the Financial Reporting Act 2013, the XRB issues accounting standards for all entities that are required, or opt, under law to prepare financial statements that comply with generally accepted accounting practice (GAAP). From 1 April 2015, a registered charity that determines it is a Tier 1 or Tier 2 public benefit entity for financial reporting purposes would be required to report in accordance with PBE Standards.
6. In issuing its standards, the XRB focuses on users' needs for information in general purpose financial reports (GPFR), that is, information intended to meet the needs of users who are not able to require an entity to prepare reports tailored to their particular information needs. For registered charities, these users are resource providers — including funders and donors — and

service recipients. The XRB undertakes various activities to ensure that it continues to set standards that meet the general purpose needs of users of financial reports, including undertaking due process consultation (as required under section 22 of the Financial Reporting Act 2013) and carrying out user-needs research.

Comments on the Auckland Regional Amenities Funding Amendment Bill

7. The Auckland Regional Amenities Funding Act 2008 in section 39(2)(b)(i) currently requires that a specified amenity¹ prepare a statement of financial position prepared in accordance with New Zealand International Financial Reporting Standards (commonly known as NZ IFRS).
8. We understand that the specified amenities in the Auckland region within the scope of the Auckland Regional Amenities Funding Board are all registered charities and are therefore already subject to the financial reporting requirements in section 42A of the Charities Act 2005. The Charities Act establishes requirements for charities to report in accordance with GAAP, or in the case of smaller charities, to report in accordance with a non-GAAP standard issued by the XRB. An entity required to report in accordance with GAAP (or the non-GAAP standard) uses XRB A1 *Application of the Accounting Standards Framework* to determine which set of accounting standards to report under. A registered charity that determines it is a Tier 1 or Tier 2 public benefit entity for financial reporting purposes would be required to report in accordance with PBE Standards. PBE Standards are a separate and different set of accounting standards to NZ IFRS. There are also separate sets of requirements for registered charities that are Tier 3 or Tier 4 public benefit entities.
9. Specified amenities have therefore been subject to two sets of requirements – some of which conflict and could be addressed only by preparing two sets of financial statements. There was never any intention that the amendments to the Charities Act (which led to this conflict) would require an entity to prepare financial statements in accordance with both NZ IFRS and PBE Standards. Clearly the cost of preparing two sets of statements exceeds any benefit that could be achieved.
10. We support the proposal to amend the Auckland Regional Amenities Funding Act 2008 by replacing the reporting requirements in section 39(2)(b) with a reference to financial statements prepared in accordance with GAAP. This would avoid the specified entities being subject to two sets of reporting requirements.
11. We believe the proposed amendments achieve this goal, and accordingly we fully support the amendments proposed in the Auckland Regional Amenities Funding Amendment Bill.

¹ As defined in Section 4 of the Auckland Regional Amenities Funding Act 2008.

Conclusion

12. If you have any queries or require clarification on any matters in this submission, please contact Judith Pinny (judith.pinny@xrb.govt.nz) or me.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michele Embling', written over a large, hand-drawn circle.

Michele Embling
Chair
External Reporting Board