

## Late papers for item 10

### **2020 Amendments to PBE FRS 48 – additional feedback and submissions**

Due to the urgency of letting constituents know whether the effective date of PBE FRS 48 *Service Performance Reporting* has been deferred, we brought item 10 to this meeting. Comments on NZASB ED 2020-1 *Proposed 2020 Amendments to PBE FRS 48* closed on 10 August. Online feedback and submissions received before the main agenda papers were distributed were included in those papers. Additional feedback and submissions (R7 to R12) are included in this document. We will minute this document as being tabled on the day.

#### **Additional online feedback (attached as Appendix 1)**

- R7 Peter Gudsell, University of Auckland
- R8 Craig Fisher, RSM New Zealand

#### **Additional submissions (three attached as separate tabs in this file)**

- R9 Office of the Controller and Auditor-General
- R10 KPMG
- **R11 CA ANZ (attached separately - locked PDF file)**
- R12 Salvation Army

#### **Summary of responses**

Table 1 summarises the responses to the questions in the ED. R1 to R6 were included in the main Board papers. R7 to R12 are in this file.

**Table 1 Updated for additional feedback and submissions**

	Q1 Defer	Q2 Variances	Q3 Eff date	Q4 Other?
R1	✓			Notify constituents asap
R2	✓	✓	✓	Relief from comparatives?
R3	✓	✓		
R4	✓			
R5	✓			
R6	✓			
R7	✓	✓		
R8	Mixed views			Communicate benefits of early adoption
R9	✓ Plus comments	✓	✓	Versions of standards? Deferral of audit standard?
R10	✓	✓		
R11	✓	✓	✓	Encourage early adoption
R12	✓	✓	✓	

### Recommendations and further actions

Our recommendations in item 10.1 remain unchanged. That is, we are seeking approval of the amendments and the signing memorandum (updated to say we received 12 responses).

We would like to discuss the comments from R8 and R9.

#### R8 Communicate benefits early adoption

R8 highlighted the benefits for entities of focusing on service performance reporting, particularly at this time. R8 suggested that if any deferral is allowed that it be clearly communicated that early adoption is still allowed and that such reporting may further assist with stakeholder support through the COVID impact and recovery. R11 also encouraged signalling that early adoption is still permitted.

We welcome these comments and seek agreement from the Board to use this messaging in communications.

- Q1. Does the Board agree that R8's messaging should be used in communications?
- Q2. Does the Board agree we should add a note to the front cover of the guidance booklet, EG A10, noting that the effective date has been deferred and stressing that early adoption is still possible?

#### R9 Versions of standards and audit standard

R9 is supportive of the proposed changes but queries (i) whether the latest version of PBE IPSAS 1 *Presentation of Financial Statements*, effective for reporting periods beginning on or after 1 January 2021, also needs to be deferred and (ii) whether there is any intention to defer the effective date of New Zealand Auditing Standard 1 *The Audit of Service Performance Information*. We address each of these comments below.

##### *Versions of standards*

We agree that the latest version of PBE IPSAS 1<sup>1</sup> on the website (currently shown as effective from 1 January 2021) should be changed to 1 January **2022**. This is an administrative matter and does not require an amendment to the standard. It merely reflects the effective date of the amendments that have been compiled in that standard. The same change should be made to PBE IAS 34 *Interim Financial Reporting* and PBE FRS 43 *Summary Financial Statements* which were also substantively amended by PBE FRS 48. We will end up with two 1 Jan 2022 versions for these standards going forward but, because the website and history tables clearly explain which amendments have been included in a standard, we do not see this as a problem.

We plan to add information on the front covers of the latest version of PBE IPSAS 1, PBE IAS 34 and PBE FRS 43 (see below).

**This version includes amendments arising from PBE FRS 48 *Service Performance Reporting*, originally issued with an effective date of 1 January 2021. The effective date of PBE FRS 48 has been deferred until 1 January 2022. PBE FRS 48 remains available for early adoption. Entities that have not yet adopted PBE FRS 48 should refer to the version of PBE IPSAS 1 effective from 1 January 2019.**

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<sup>1</sup> PBE FRS 48 made a number of amendments to PBE IPSAS 1, including changing the title to *Presentation of Financial Reports* and removing the previous service performance requirements.

We also plan to add a note for readers beside PBE IPSAS 1, paragraphs 150.1–150.10 (see below).

150.1–150.10 [Deleted by NZASB. These paragraphs outlined service performance reporting requirements prior to PBE FRS 48 *Service Performance Reporting*. Entities that have not yet adopted PBE FRS 48 should refer to the version of PBE IPSAS 1 effective from 1 January 2019.]

In all the standards amended by PBE FRS 48 (there were numerous small changes to other standards) we plan to include footnotes to the history tables noting the deferral of the effective date of PBE FRS 48. This is our usual practice when an effective date is deferred.

Q3. Does the Board agree with our proposals to help constituents identify the relevant versions of standards.

*Audit standard*

NZAuASB staff are aware of R9’s comment and are following up with the respondent. If warranted, the NZAuASB will consider this matter further.

**Appendix 1 Additional online feedback**

**R7 Peter Gudsell, CFO, University of Auckland**

I would like to record my support for the recommendation to defer the effective date of PBE FRS 48 by one year, from 1 January 2021 to 1 January 2022. Given the disruption currently being experienced due to Covid-19 this is a pragmatic response which recognises the inability to deliver PBE FRS 48 within the original timeframe.

I also support the recommendations that explanations of variances are required only when an entity presents comparisons of actual versus prospective information.

**R8 Craig Fisher, RSM New Zealand**

I write with mixed views on this deferral.

At one level I can understand and appreciate that this potential deferral relief from organisations having to grapple with a new reporting requirement will be welcomed by some organisations. As such I understand the logic of this deferral.

However, from a broader organisational focus, sustainability, and resilience perspective I have some concerns at organisations not doing this important work and communicating their activity towards their purpose, and as such, their fundamental value. In my experience organisations that have grappled with Service Performance Reporting already have generally become clearer and more focused on their purpose and how they are effecting change. i.e. it has forced some very positive strategic thinking. Hence been a very positive experience . Accordingly with the pressures of COVID on business and operational models I would have thought that it is even more important for organisations to have laser like clarity in this area. Organisations will need strong stakeholder support (engendered by strong and effective stakeholder communication) in order to survive the operational and funding pressures caused by the COVID pandemic. At its essence, I see service performance reporting as an attempt to assist organisations communicate their value via their activity.

I would suggest that if any deferral is allowed that it be clearly communicated that early adoption is still allowed and that such reporting may further assist with stakeholder support through the COVID impact and recovery.



10 August 2020

Michael Bradbury  
Chair  
New Zealand Accounting Standards Board  
PO Box 11250  
Manners Street Central  
Wellington 6142

Dear Mike

### **NZASB ED 2020-1 PROPOSED 2020 AMENDMENTS TO PBE FRS 48**

Thank you for the opportunity to comment on the New Zealand Accounting Standards Board's (NZASB's) exposure draft on proposed amendments to PBE FRS 48.

Our responses to the questions are set out below.

#### **Question for respondents**

*1. Do you agree with the proposal to defer the effective date of PBE FRS 48 Service Performance Reporting by one year (from 1 January 2021 to 1 January 2022)? If you disagree, please explain why.*

While performance reporting obligations have been in place for public sector public benefit entities for many years, PBE FRS 48 does introduce additional reporting requirements. We consider that the ongoing challenges caused by the COVID-19 environment, including in reporting on service performance, make it appropriate to defer the effective date of the standard by one year.

A consequence of the deferral of PBE FRS 48 is that PBE IPSAS 1 will continue to apply over the deferral period for Tier 1 and 2 entities. The question then arises on whether the latest version of PBE IPSAS 1, effective for reporting periods beginning on or after 1 Jan 2021, also needs to be deferred (or aspects of it). The current version of the standard has specific requirements relating to the statement of service performance (paras 150.1 to 150.10). The updated standard simply states that:

126.1 Service performance information provides users of financial reports with a basis to assess the service performance of the entity. PBE FRS 48 specifies which entities are required to present service performance information in accordance with that Standard and sets out requirements for the reporting of service performance information and related disclosures.

In addition, we have not seen a similar exposure draft from the New Zealand Auditing and Assurance Standards Board (NZAuASB) to defer the effective date of NZ AS 1 *The Audit of Service Performance Information*. We suggest that the NZASB and the NZAuASB consider the audit implications of the deferral of PBE FRS 48.

*2. Do you agree with the proposed clarification regarding explaining variances (see paragraphs 37 and 38A)? If you disagree, please explain why.*

We agree with the proposed clarification to the standard, removing the requirement for explanation of major variances between the current and previous period.

3. Do you agree with the proposed effective date of the amendments? If you disagree, please explain why.

Yes, we agree with the proposed effective date of the amendments.

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

No, we have no other comments.

If you have any questions about our submission, please contact Robyn Wells, Manager, Performance Information and Reporting, at 021 222 6239.

Yours sincerely



Todd Beardsworth  
Assistant Auditor-General, Audit Quality



Robert Cox  
Audit Director/Head of Accounting



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Our ref: 17895522\_1.DOCX

April Mackenzie  
Chief Executive  
XRB  
PO Box 11250  
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Wellington 6142

5 August 2020

Dear April

**Proposed 2020 Amendments to PBE FRS 48**

We are pleased to respond to NZASB ED 2020-1 *Proposed 2020 Amendments to PBE FRS 48*.

While we fully support the application of PBE FRS 48 *Service Performance Reporting* we understand why the NZASB has proposed a deferral of the effective date by one year.

In view of the operational disruptions being experienced by many of our clients as a result of the COVID-19 pandemic we support the deferral of the effective date from 1 January 2021 to 1 January 2022. We note that the majority of our clients impacted by PBE FRS 48 have already made the assumption that the standard will be deferred and so would be unlikely to be in a position to apply it comprehensively as at 1 January 2021.

We also support the proposed clarification regarding explanations of variances between previously published prospective information and current service performance information. The amendments to paragraph 37 and 38A are appropriate.

Yours sincerely

A handwritten signature in blue ink that reads 'Simon Lee'.

**Simon Lee**  
National Technical Director



7 August 2020

Michele Embling  
Chief Executive  
External Reporting Board  
PO Box 11 250  
Manners St Central  
Wellington 6142

Dear Michele

**NZASB Exposure Draft 2020-1 Proposed 2020 Amendments to PBE FRS 48**

This submission is made on behalf of The Salvation Army New Zealand, a registered charity working in many areas of New Zealand society meeting people at their point of need.

The Salvation Army (The Army) is an international Christian and social services organisation that has worked in New Zealand for over one hundred and thirty years. The Army provides a wide-range of practical social, community and faith-based services, particularly for those who are suffering, facing injustice or those who have been forgotten and marginalised by mainstream society.

Each year we help over 120,000 families and individuals in need – with food and clothing assistance, addiction harm reduction, housing support, financial mentoring, life skills and social support. This is backed up by the 8,000 regular attenders of our 88 faith communities (churches). We are passionately committed to our communities as we aim to fulfil our mission of caring for people, transforming lives and reforming society by God's power.<sup>1</sup>

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<sup>1</sup> <http://www.salvationarmy.org.nz/about-us>

**TERRITORIAL HEADQUARTERS**

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## Questions for Respondents

We provide the following responses to the specific questions in your exposure draft.

1. Yes, we agree with your proposal to defer the effective date of PBE 48 Service Performance Reporting by one year. The onset of COVID-19 and the huge spike in demand made it difficult for us to finalise our new data collection and reporting mechanisms. In turn, this means we will be struggling to have full comparative data so a delay of one year will certainly help.
2. Yes, we agree with the proposed clarification regarding explaining variances (see paragraphs 37 and 38A)
3. Yes, we agree with the proposed effective date of these amendments.
4. We have no other comments on this ED.

Should you have any queries about our submission, please contact me at [peter.bain@salvationarmy.org.nz](mailto:peter.bain@salvationarmy.org.nz)

Yours sincerely

Peter Bain  
Chief Financial Officer  
The Salvation Army