

New Zealand Accounting Standards Board

**Minutes of the virtual meeting held on Tuesday, 16 December 2021
which commenced at 9.00am**

Members

present: Carolyn Cordery (Chair)
Michael Bradbury
Francis Caetano
Denise Hodgkins
Keith Kendall (until 3.15pm)
Richard Perry
Angela Ryan
Richard Smyth
Jason Stinchcombe

Apologies: Nives Botica-Redmayne
Keith Kendall (from 3.15pm)

Guests: Sue Lloyd, IASB Vice-Chair (agenda item 1A)
Angus Thomson (agenda items 9 and 10)
John Morrow, JBWere (agenda item 4)
John McLeod, JBWere (agenda item 4)

Observers: Warwick White, new Board member starting 1 January 2022 (all items)
Peter van Hout, Methodist Church of New Zealand (items 4, 5, 7, 9, 10, 11)
Zowie Pateman, CA ANZ (items 4, 5, 7, 10)

AASB staff:

Patricia Au (agenda items 3, 9 and 10)
Kimberley Carney (agenda item 7)
Fridrich Housa (agenda items 3–11)
Maggie Man (agenda items 4 and 5)
Helena Simkova (agenda items 6, 10 and 11)
James Wake (agenda item 10)

In attendance: April Mackenzie – Chief Executive (in part)
Anthony Heffernan – Director, Accounting Standards (in part)
Misha Pieters – Interim Director, Auditing and Assurance Standards (agenda item 10)
Jamie Cattell – Project Manager, Accounting Standards
Tracey Crookston – Project Manager, Accounting Standards
Joanne Scott – Senior Project Manager, Accounting Standards
Vanessa Sealy-Fisher – Senior Project Manager, Accounting Standards
Gali Slyuzberg – Project Manager, Accounting Standards
Lisa Thomas – Project Manager, Auditing and Assurance Standards (agenda item 4)
Sanel Tomlinson - Head of Strategy and Special Projects (agenda item 4)
Sharon Walker – Senior Project Manager, Auditing and Assurance Standards (agenda item 10)

3. AMENDMENTS TO IPSAS 5 BORROWING COSTS

The Board CONSIDERED the application of the *Policy Approach to the Development of PBE Standards* (PBE Policy Approach) to the recent IPSASB final pronouncement, *Amendments to IPSAS 5 Borrowing Costs – Non-Authoritative Guidance* (the amendments).

The Board AGREED

- (a) to incorporate the amendments into PBE Standards by proposing amendments to PBE IPSAS 5 *Borrowing Costs*; and
- (b) to include the proposed amendments to PBE IPSAS 5 as part of the Exposure Draft (ED) *2022 Omnibus Amendments to PBE Standards*. The Board will be asked to approve this ED at its February 2022 meeting.

4. EXTERNAL PRESENTATION FROM NFP SECTOR ANALYST

The Board received a presentation from John Morrow and John McLeod from JBWere

The presentation included an overview of the recently published JBWere — *2021 New Zealand Cause Report*. The presenters also provided comments on the proposed minimum revenue, expense, assets, and liabilities categories in the Tier 3 and Tier 4 PBE Standards (as discussed in agenda item 5).

5. TIER 3 AND TIER 4 POST-IMPLEMENTATION REVIEW

The Board NOTED the update on progress in responding to the feedback on the Tier 3 and 4 Post-implementation Review, which was set out in agenda item 5.1.

The Board CONSIDERED the issues paper on the Tier 3 and Tier 4 minimum categories and provided feedback to support staff advancing the drafting of the EDs.

The Board will be asked to approve the EDs with proposed amendments to the Tier 3 and Tier 4 Standards in the first quarter of 2022.

6. SUBSIDIARIES WITHOUT PUBLIC ACCOUNTABILITY: DISCLOSURES

The Board APPROVED, subject to changes agreed at the meeting and final sign-off by the Chair, the draft comment letter to the IASB on the ED *Subsidiaries without Public Accountability: Disclosures*.

7. XRB A1 DEFINITION OF PUBLIC ACCOUNTABILITY

The Board NOTED the challenges arising in certain circumstances when applying the definition of *public accountability* in XRB A1 *Application of the Accounting Standards Framework* when determining whether an entity has Tier 1 reporting requirements.

The Board tentatively AGREED to commence a project to consider amendments to XRB A1 to help clarify the application of the existing definition of public accountability.

9. PUBLIC SECTOR INSURANCE

The Board considered:

- (a) a paper on whether the confidence levels used in measuring risk adjustments for liabilities for remaining coverage and for liabilities for incurred claims need to be aligned under PBE IFRS 17 (agenda item 9.2);
- (b) draft ED NZASB 2022-1 *Accounting for Insurance Contracts in the Public Sector* (agenda item 9.3); and
- (c) a draft ITC to accompany ED NZASB 2022-1 (agenda item 9.4).

Agenda item 9.2

The Board AGREED to:

- (a) note the issue in the Basis for Conclusions to ED NZASB 2022-1 without expressing a view on the manner in which PBE IFRS 17 should be interpreted; and
- (b) not propose any public sector guidance or modifications on the matter.

Agenda items 9.3 and 9.4

The Board acknowledged the Basis for Conclusions is possibly more detailed than for some other EDs but that, in this case, the additional detail will be helpful for those entities which may need to apply increased professional judgement when determining whether they have transactions that need to be accounted for as insurance contracts.

Subject to some editorial changes, the Board AGREED with the explanations of the issues and the questions asked in the draft ITC.

The Board will be asked to approve the ITC and ED for comment at the February 2022 meeting.

10. AUDITOR REMUNERATION

The Board NOTED the background information in agenda paper 10.1 and considered whether to commence a domestic project to propose enhanced audit fee disclosure in NZ IFRS and PBE Standards.

The Board:

- (a) AGREED that staff should work jointly with the assurance team to develop disclosures whilst continuing to monitor the related work of the NZAuASB and developments in Australia; and
- (b) NOTED its obligations to consider trans-Tasman harmonisation but decided that in this instance it was important to prioritise working with the NZAuASB to best meet the needs of New Zealand constituents.

11. INITIAL APPLICATION OF NZ IFRS 17 AND NZ IFRS 9—COMPARATIVE INFORMATION

The Board

- (a) APPROVED the amending standard *Initial Application of NZ IFRS 17 and NZ IFRS 9—Comparative Information*;
- (b) APPROVED the signing memorandum; and
- (c) CONSIDERED the application of the PBE Policy Approach to the amending standard and AGREED that one aspect of the amendments (equivalent to the options available to entities that have adopted IFRS 9 *Financial Instruments* prior to IFRS 17 *Insurance Contracts*) should be incorporated in PBE Standards.

The Board will consider an ITC and ED to amend PBE IFRS 17 *Insurance Contracts* at a future meeting.

12. EDITORIAL CORRECTIONS

The Board APPROVED the following editorial corrections.

- (a) Editorial Corrections to NZ IFRS;
- (b) Editorial Corrections to PBE Standards; and
- (c) Editorial Corrections: *Financial Reporting (Inflation Adjustments) Regulations 2021*). This document contained corrections to documents issued by the XRB Board and the NZASB. The XRB Board approved the corrections in Table 1 at its meeting on 14 December. The NZASB approved the corrections in Table 2.

The Board NOTED that editorial corrections are made available on the XRB website.