Financial reporting Update

Crown Entity Sector Update, April 2016

AUDIT NEW ZEALAND
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Covering . . .

- On the transition to IPSAS

- Revenue from non-exchange transactions

- Grant expenditure

- New standards

- Improving disclosures

On the transition

- Generally: no/little change to the numbers

- Significant adjustments: entity-specific

- Tier 2 and Tier 3 requirements provided an opportunity to reduce the size of financial statements

- Preparation by entities/sectors: mixed

- most challenging aspects:

  o *Revenue from non-exchange transactions*

  o *Accounting for grant expenditure*

Revenue from non-exchange transactions

- Don't expect many changes to the exchange/non-exchange distinction arrived at last year

- Aspects of the arrangements will need to be regularly reviewed:

    o *Funding with conditions*: does your assessment change with experience?

    o *Measuring revenue at fair value*: are the assumptions still valid?

- New revenue streams?

    o Consider the treatment early

Grant expenditure

- Little guidance

- Accounting may not be appropriate under IPSAS

- Reviewing this year

New Standards: Public Benefit Entities

- **What's new this year**;
  - o Organisations that provide key management personnel services are now 'related parties'

- **On the horizon**: exposure drafts on
  - o Service Performance Reporting
  - o Interests in other entities (subsidiaries, associates & Joint Arrangements)
  - o Public sector combinations (merger accounting)

New Standards: For-profit entities

Leases *[NZ IFRS 16]*

- Essentially, all leases treated as finance leases

- Effective: periods beginning on or after 1 January 2019

On the horizon for a PBE Standard?

Improving disclosures

- Are you only including what is necessary?

  o PBE IPSAS 1, paragraph 47
    *Applying the concept of materiality means that a
    specific disclosure requirement in a PBE Standard
    need not be satisfied if the information is not material*

- Reporting at the right level? Taken all disclosure exemptions?

- Better by being smarter

  o Remove the clutter

  o Not, necessarily, cutting words from what is necessary.