

IMPLICATIONS FOR COUNCIL OF NEW AND PROPOSED FINANCIAL REPORTING STANDARDS

1. Purpose of Report

The purpose of this regular report is to inform the Subcommittee of new and proposed International Financial Reporting Standards and their likely impact for the Council.

2. Recommendations

Officers recommend that the Subcommittee:

- 1. Receive the information*
- 2. Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last regular Subcommittee meeting on 15 March 2011.*

3. Background

The Local Government Act 2002 requires the Council to comply with GAAP in preparing the Annual Report. GAAP is defined by the Accounting Standards Review Board (ASRB) to encompass all applicable Financial Reporting Standards (FRSs) and other sources of appropriate authoritative support (for example; exposure drafts of Financial Reporting Standards, International Accounting Standards etc).

Council Officers have undertaken to report to the Subcommittee on a regular basis in relation to any new IFRSs and any exposure drafts currently on issue by the New Zealand Institute of Chartered Accountants (the Institute). This report outlines developments in GAAP and the implications for the Council since the last regular Subcommittee meeting on 15 March 2011. Although not currently applicable for the Council, developments in International Public Sector

Accounting Standards (IPSAS) will also be presented to this Subcommittee for completeness.

4. Developments in Financial Reporting Standards

4.1 Submissions made

The Council makes submissions on discussion papers or exposure drafts where there is potential for it to have a significant impact on either the Council as a reporting entity or the level of funding provided by ratepayers. We also consider whether the proposals are appropriate, in our opinion, from a standard setting perspective.

Since the last regular Subcommittee meeting on 15 March 2011 the Council has made no submissions.

4.2 Summary of exposure drafts reviewed since last Subcommittee meeting

There were a number of exposure drafts reviewed which have been divided between exposure drafts with a potential impact for the Council and those with limited or no expected impact.

4.2.1 Exposure drafts reviewed with potential impact for Council reporting

Exposure Draft/ Discussion Paper	Impact/Summary
None	None

4.2.2 Exposure drafts reviewed with limited or no expected impact on Council reporting

Exposure Draft/ Discussion Paper	Impact/Summary
Request for Comment on Exposure Draft ED/2011/1 Offsetting Financial Assets and Financial Liabilities	<p>The key change is that previously a right of set off needed to be currently legally enforceable. The proposal is primarily to change the requirement to allow a set off from being the entity <i>currently</i> having a right to the entity having an <i>unconditional</i> right of set off.</p> <p>As WCC does not currently hold a conditional and legally enforceable right to set-off, the current accounting practice of presenting both a financial asset and a financial liability in the financial</p>

	statements is consistent with the changes proposed in the exposure draft. As a result, the changes to offsetting criteria and added disclosure requirements do not apply at this time.
Request for Comment on the Supplement to ED/2009/12 Financial Instruments: Amortised Cost and Impairment Financial Instruments: Impairment	The supplement to ED/2009/12 focuses on the model for impairment of financial assets that are measured at amortised cost and are managed on an open portfolio basis. The changes proposed in the supplement for ED/2009/12 will have no impact as loans are not recorded on a portfolio basis and the supplement to ED/2009/12 only applies to loans in an open portfolio that are valued on an amortised cost basis.
ED 125 Concessionary Loans: Proposed Amendments to NZ IAS 39 Financial Instruments: Recognition and Measurement, NZ IFRS 7 Financial Instruments: Disclosures and NZ IFRS 9 Financial Instruments	<p>The proposed amendments regarding the measurement and recognition of concessionary loans explain, rather than amend, the existing requirements in NZ IAS 39 or NZ IFRS 9. Additional disclosure would be required under NZ IFRS 7 for public benefit entities.</p> <p>No changes required. The Council's measurement and disclosure of concessionary loans is consistent with the requirements of the standard.</p>
ED 124 Proposed amendments to FRS-43 Summary Financial Statements	<p>This exposure draft proposes to clarify the application of FRS-43 to multi-period summary financial statements such as five-year summaries presented in accordance with the Securities Regulations 2009.</p> <p>There are minimal differences in the standard itself, the main difference is in the application of that standard.</p> <p>This will have minimal impact for WCC.</p>

4.2.3 Exposure drafts relating to International Public Sector Accounting Standards (IPSAS)

While the Council is not currently required to apply International Public Sector Accounting Standards (IPSAS), we continue to review them and assess the impact on the Council if we were required to move to reporting under IPSAS.

Exposure Draft/ Discussion Paper	Impact/Summary
<p>IPSASB international public sector conceptual framework (phase 1)</p>	<p>This is phase 1 of the creation of a conceptual framework for general purpose financial reporting. The intent is for it to “establish and make explicit the concepts that are to be applied in developing international public sector accounting standards (IPSASs) and other documents that provide guidance on information included in general purpose financial reports (GPFRs).”</p> <p>Phase 1 addresses role, authority and scope; objectives and users; qualitative characteristics; and the reporting entity.</p> <p>There are a number of differences between the items covered in phase 1 and their NZ Framework counterparts.</p> <p>The scope of the IPSASB Conceptual Framework is broader than that of the NZ Framework. While the NZ Framework is limited to the “financial statements” the scope of the IPSASB Conceptual Framework states that the GPFRs of public sector entities include, but are more comprehensive than, financial statements including their notes.</p> <p>There are minor differences in the areas of intended audience and information provided by general purpose financial reports but no more than would be expected where the focus is on public sector reporting.</p> <p>There are some differences in the qualitative characteristics but overall the expectations were similar to that of the NZ Framework, albeit expressed differently.</p> <p>There is a difference between the NZ Framework and the IPSASB Conceptual Framework in the approach to identifying a reporting group of entities. Although not</p>

	currently expected to impact the Council's group reporting this will be dealt with in detail during standards development so will be clarified in due course.
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4.3 Exposure drafts on Issue

The following exposure drafts are currently open for comment and will be reviewed by Council officers before the next subcommittee meeting:

- IPSASB - Key Characteristics of the Public Sector with Potential Implications for Financial Reporting
- IPSASB ED 45, Improvements to IPSASs 2011

We are currently reviewing these exposure drafts to determine any potential impacts on the Council. We will provide analysis of impacts for the Council and copies of any submissions made at the next Subcommittee meeting.

Also open for comment at this time are the Consultation Papers for phase 2 (Elements and Recognition in Financial Statements) and phase 3 (Measurement of Assets and Liabilities in Financial Statements) of the development of the IPSASB Conceptual Framework. These will be reviewed before the next subcommittee meeting.

6. Conclusion

We will circulate any key documents to Subcommittee members as they become available. We will also continue to report developments in Financial Reporting Standards to the Subcommittee on a quarterly basis.

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Supporting Information

1) Strategic Fit / Strategic Outcome

The report supports Council's overall vision by ensuring that legislative compliance with GAAP (NZ IFRS) is appropriately managed.

2) LTCCP/Annual Plan reference and long term financial impact

The report has no specific Annual Plan reference. There is no long term financial impact arising from the report.

3) Treaty of Waitangi considerations

There are no specific Treaty of Waitangi considerations.

4) Decision-Making

There are no significant decisions required by the paper.

5) Consultation

a) General Consultation

There are no parties significantly affected by this paper.

b) Consultation with Maori

Maori are not significantly affected by this paper.

6) Legal Implications

This report has no specific legal implications.

7) Consistency with existing policy

This report is consistent with existing policy.