
REPORT 3
(1215/52/01/1M)

IMPLICATIONS FOR COUNCIL OF PROPOSED FINANCIAL REPORTING STANDARDS INCLUDING DRAFT SUBMISSION ON IPSAS

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 Audit and Risk Management Subcommittee:

- 1. Receive the information.*
- 2. Note the developments in New Zealand generally accepted accounting practice (GAAP) since the last regular Subcommittee meeting on 5 October 2011.*
- 3. Approve the draft submission in Appendix 1 "Submission on Consultation Paper on Accounting Standards Framework for General Purpose Financial Reporting by Public Benefit Entities" for submission to the XRB.*

3. Background

The Local Government Act 2002 requires the Council to comply with GAAP in preparing the Annual Report. GAAP is defined by the External Reporting Board (XRB) 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 5 October 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. These developments will become more relevant going forward as a result of the External Reporting Board (XRB) proposal to develop a set of NZ PBE standards based on IPSAS. See section 4.1.1 for more details.

4. Developments in Financial Reporting Standards

4.1 Submissions

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.

4.1.1 Submissions for approval

As noted in the meeting on 5 October 2011, the draft submission on the consultation document issued by the XRB on the Accounting Standards Framework for General Purpose Financial Reporting by Public Benefit Entities has been included with this report as Appendix 1.

A summary of the submission follows:

The submission is in favour of using the definition of PBE in the Public Audit Act but raises the issue of applicability to CCTOs.

The submission is in favour of using IPSAS as a base for the New Zealand PBE standards rather the 'pure IPSAS' allowing scope to make changes if required to the standards.

The submission comments on the suggestion that all PBE's adopt the new standards on the same date. The submission was neither for or against the proposal however it notes that there are advantages and disadvantages to each option which should be considered.

The remaining questions raised by the proposal had an insignificant impact on the Council or commentary was not required.

4.1.2 Submissions made

Since the last regular Subcommittee meeting on 5 October 2011 the Council has made no submissions.

4.2 Summary of exposure drafts reviewed since last Subcommittee meeting

Exposure drafts are 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
Consultation Paper on Accounting Standards Framework for General Purpose Financial Reporting by Public Benefit Entities	See 4.1.1 and appendix 1.

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

Exposure Draft/ Discussion Paper	Impact/Summary
ED/2011/2 Improvements to IFRSs	The exposure draft proposes a number of changes to accounting standards, mainly clarifications. The standard affected are: IFRS1, IAS1, IAS16, IAS32, IFRIC 2 and IAS34. No significant impact expected.
ED/2011/3 Mandatory Effective Date of IFRS 9	The exposure draft proposes that the mandatory effective date of IFRS 9 (2009 and IFRS 9 (2010) from 2013 to 2015. No significant impact expected.
ED 2011/4 Investment Entities	The exposure draft proposes that investment entities be required to measure its investment in controlled entities at fair value through profit or loss in accordance with IFRS 9 rather than being consolidated. No significant impact expected.

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
None	None

4.3 Exposure drafts on Issue

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

- XRB ED 2011-1 Omnibus amendments
- IASB ED/2011/5 Government loans
- IASB ED/2011/6 Revenue from contracts with customers
- IPSASB ED46: Reporting on the long-term sustainability of a public sector entities finances
- IPSASB Consultation paper – Reporting service performance information

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.

5. 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.