

26 October 2011

Chief Executive
External Reporting Board
PO Box 11250
Manners Street Central
Wellington, 6142
New Zealand

Dear Sir/Madam

**Submission on Consultation Paper on Accounting Standards
Framework for General Purpose Financial Reporting by Public
Benefit Entities**

Thank you for the opportunity to comment on the above Consultation Paper. Wellington City Council (WCC) is pleased to provide feedback on the proposed amendments.

Our specific comments are outlined in the attached appendix. In developing our comments we have considered the impact of the proposals on the Council as a reporting entity (for example, compliance costs and changes to information and reporting systems), and whether we believe the proposals are appropriate, from a standard setting perspective.

If you would like further clarification on the issues raised in our submission please don't hesitate to contact me.

Yours sincerely

Nicky Blacker
Manager, Financial Accounting
Wellington City Council

1. Do you agree that public sector PBEs should be defined by reference to the definition of public entities in the Public Audit Act 2001? If not what alternative would you suggest and why?

We note that the extract from the Public Audit Act includes Council Controlled Organisations but it is unclear whether this also includes Council Controlled Trading Organisation which is defined as *“a council-controlled organisation that operates a trading undertaking for the purpose of making a profit”*.

Currently CCTOs that are profit oriented entities would not be allowed to apply the PBE exemptions in NZ IFRS but if the new interpretations mean that they come under the new definition of the PBE then they would need to go through the IPSAS transition. Although this would make things simpler for consolidation purposes, the appropriateness of IPSAS for profit oriented CCTOs should be considered.

Wellington Cable Car Limited is the only Wellington City Council CCTO who is deemed to be a profit oriented entity for financial reporting.

2. Do you agree that not-for-profit PBEs should be defined as all PBEs other than public sector PBEs? If not what alternative would you suggest and why?

This is not applicable to Wellington City Council or its CCOs so we have not commented on its appropriateness.

3. The proposed PBE tier framework incorporates feedback from respondents to the Discussion Document Proposals. Are there any other factors not already considered that you think should be? If so please outline them.

None noted.

4. Do you agree that all PBE issuers should be allocated to Tier 1 regardless of their size; or do you think that PBE debt issuers that would not otherwise be in Tier 1 should be able to be in Tier 2 but be required to comply with relevant Tier 1 requirements, particularly relating to financial instruments, to ensure that the needs of their users are met?

This is not applicable to Wellington City Council or its CCOs so we have not commented on its appropriateness. Although we are an issuer of debt security we are also a levier of coercive revenue and would therefore automatically be included in Tier 1.

5. Taking the XRB Board’s decision to adopt a multi-standards approach as a given, do you agree that a suite of NZ PBE standards that use IPSAS as its base, but which are modified:

- **for any recognition, measurement or disclosure matters considered inappropriate in the New Zealand context; and**
- **to make them relevant, applicable and understandable in the NFP context**

be adopted at this juncture (rather than pure IPSAS)? If not what alternative approach would you suggest and why?

We believe a suite of NZ PBE standards that use IPSAS as a base, rather than using “pure” IPSAS, is more appropriate. This will allow us to modify the current IPSAS standards if we feel it is appropriate for New Zealand rather than being restricted to following the pure standards.

We expressed some concerns in our previous submission about the IPSASB governance arrangements and while we acknowledge that these are working on being resolved we believe that it would be appropriate to leave ourselves scope to make changes if required.

6. Do you agree that the same recognition and measurement requirements should apply to all tiers, subject to the possibility of some concessions for Tier 3 entities to reflect the simple nature of their requirements? If you do not agree, please identify the specific recognition and measurement requirements that you think should differ between tiers.

This approach seems sensible and will allow for easier comparison between tiers and consolidation of entities in different tiers.

7. Do you agree that a Reduced Disclosure Requirements version of the full NZ PBE Accounting Standards should apply to Tier 2 entities? If not what alternative approach would you suggest and why?

It makes sense to use a reduced disclosure requirements version of NZ PBE standards for below Tier 1 entities, similar to the current differential reporting framework.

8. Are there any other matters relating to the accounting standards for PBEs that have not already been considered by the XRB Board that you think it should consider? If so please outline them.

None noted.

9. Do you agree that (a) all public sector PBEs should be required to adopt the NZ PBE Accounting Standards in the same financial year; and (b) the target date for this adoption should be the financial year beginning 1 July 2013? If not what alternative would you suggest and why?

We believe that having one adoption date for all public sector PBEs has positives and negatives. On the positive, the sector and its auditors and

advisors could work together towards a common date and work through any issues as a sector group. However, it does put pressure on audit and advisory firms as all entities would require their expertise and guidance at the same time. There is also no opportunity for smaller entities to “piggy back” off larger entities in terms of reviewing their annual reports and using their disclosures as a template.

If one date was going to be chosen it would be important to have a co-ordinated approach by the sector and to have relevant training courses, example disclosures and illustrative accounts ready well in advance.

10. Do you agree that the target date for NFP entities to compulsorily adopt the NZ PBE Accounting Standards should be financial years beginning on or after 1 July 2014, with early adoption from 1 July 2013? If not what alternative would you suggest and why?

This is not applicable to Wellington City Council or its CCOs so we have not commented on its appropriateness.