

Financial Reporting Update

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AUDIT NEW ZEALAND
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Covering . . .

- the transition to IPSAS
- Revenue from non-exchange transactions
- Grant expenditure
- New standards
- Improving disclosures

The transition to IPSAS

- 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:
 - *Revenue from non-exchange transactions*
 - *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:
 - *Funding with conditions*: does your assessment change with experience?
- New revenue streams?
 - Consider the treatment early

Grant expenditure

- Little guidance
- Previous accounting wasn't always appropriate under IPSAS
- Reviewing this year

New Standards: Public Benefit Entities

- **What's new this year;**
 - Organisations that provide key management personnel services are now 'related parties'
 - Some changes for the not-for-profit sector
 - Unlikely to affect current accounting for public sector PBEs
- **On the horizon:** exposure drafts on
 - Service Performance Reporting
 - Interests in other entities (subsidiaries, associates & Joint Arrangements)
 - 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?*

Revenue [NZ IFRS 15]

- Application date deferred, now for financial years beginning on or after 1 January 2018.
 - 31/12/2018; 31/3/2019; 30/6/2019

Improving disclosures

- Are you only including what is necessary?
 - 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
 - Remove the clutter
 - Not, necessarily, cutting words from what is necessary.

