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CROWN REPORTING: IMPLEMENTATION OF NEW PBE STANDARDS FOR THE PUBLIC SECTOR

1. The purpose of this circular is to inform you of the strategy and high level timetable for incorporating the new Public Benefit Entity¹ (PBE) Standards into Crown reporting, and applies to the following entities that are designated as PBEs for financial reporting purposes:
 - Departments;
 - Offices of Parliament;
 - The Reserve Bank of New Zealand (RBNZ); and
 - Crown entities (CEs) designated as a PBE.
2. As many of you are aware a new multi-standards financial reporting framework is being introduced in New Zealand by the External Reporting Board. This will result in separate suites of accounting standards for the following three sectors:
 - for-profit;
 - public sector PBE; and
 - private not-for-profit PBE (e.g. registered charities).

¹ Public benefit entities are reporting entities whose primary objective is to provide goods or services for community or social benefit and where equity has been provided with a view to supporting that primary objective rather than for a financial return to equity holders.

3. The framework changes will mean that from 1 July 2014, public sector PBEs will report against a new suite of PBE standards. This new suite is made up of mainly International Public Sector Accounting Standards (IPSASs), modified where appropriate for the New Zealand context. The suite also includes five NZ International Financial Reporting Standards (NZ IFRS) and four domestic standards (FRSs).
4. The Government reporting entity is designated as a PBE and therefore, the consolidated Financial Statements of the Government (FSG) will need to be prepared using the new PBE standards from the financial year 2014/15. This means that information reported to us must be based on the new standards.
5. Broadly speaking, we understand the new suite of PBE standards is currently highly converged with existing NZ IFRSs as applied by PBEs. Therefore, applying these new standards is not expected to result in significant change to your reporting requirements.
6. While not expected to be a major change, we still need to consider whether any changes are required to the Crown accounting policies, disclosures and CFISnet data collection processes.
7. Reporting under the new PBE standards commences with the following CFISnet submissions (with indicative submission dates shown in brackets):
 - Five year forecasts for Budget 2014 (March 2014).
 - Monthly forecast tracks (for applicable entities) (August 2014).
 - Monthly actual results starting with the results for three months ending 30 September 2014 (October 2014).
8. If there are any significant adjustments on transition to the new PBE standards, entities will need to prepare an opening position as at 1 July 2013 and restate their 2013/14 comparatives.
9. All Crown reporting entities designated as PBEs will also need to transition from NZ IFRS to the new PBE standards when they report their individual annual financial statements for 2014/15 (restating 2013/14 comparatives if necessary).
10. All Crown reporting entities designated as for-profit entities will continue to apply NZ IFRS to their individual financial statements. However, those for-profit entities will need to submit their CFISnet schedules reflecting the Crown accounting policies based on the new PBE standards. Treasury Circular 2013/13 has been issued to for-profit entities explaining the process applicable to them.

High level transition timetable

11. We have broken this transition project into four phases. The first three phases focus on recognition and measurement and are designed to enable us to prepare forecast financial statements for Budget 2014 using the new PBE standards. The fourth phase focuses mainly on disclosure impacts for the first interim financial statements (for three months to 30 September 2014) and for the 2014/15 year end accounts.

12. As the Government's financial statements published at Budget have significantly fewer disclosures than in annual financial statements, the priority for Budget is identifying material impacts on the recognition, value and timing of transactions and balances over the forecast period.
13. The high level project is set out below.

<p>Phase 1 November 2013</p>	<p>We will produce a table of key differences between NZ IFRS (as applied by PBEs) versus the new PBE Standards.</p> <p>We will make this table of key differences available on the Treasury website in December to help you with your own transition programmes.</p>
<p>Phase 2 December 2013</p>	<p>We will issue a short electronic survey seeking your feedback on whether you expect any changes to your financial statements as a result of transitioning to PBE standards. We are aiming to have the survey issued at the end of the first week of December and your responses back to us just before Christmas.</p> <p>We envisage that this exercise will also help you determine what actions (if any) you will need to undertake next year to ensure your organisation has a smooth transition to the new PBE standards for your separate reporting in 2014/15.</p>
<p>Phase 3 January to March 2014</p>	<p>Using the information collected during phases 1 and 2 we will:</p> <ul style="list-style-type: none"> • identify any significant changes to Crown accounting policies; • seek your assistance to quantify any significant adjustments to the financial statements as a result in changes to the accounting policies; and • confirm how we would like you to incorporate impacts (if any) into your financial forecasts submitted via CFISnet for Budget 2014.
<p>Phase 4 April to June 2014</p>	<p>During this phase, we will perform a more detailed review of disclosure differences between the standards and update the pro-forma financial statements and accompanying notes for the FSG for the year ended 30 June 2015.</p> <p>We will contact you and work with the FSG auditors to agree on the contents of any new disclosures.</p> <p>We will also consider if changes to the CFISnet DataLoad are required for the first submission in 2014/15 (i.e. the interim financial statements for the three months ending 30 September 2014, including adjusted 2013/14 comparatives if required)</p>

14. We will keep you regularly informed on progress in the transition project through a dedicated page on the Treasury website and Treasury circulars. If you have any questions in the meantime, please do not hesitate to contact Joanne Clough or Angela Ryan (contact details are on the first page of this circular).

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