

22 January 2016

Mr John Stanford
The Technical Director
International Public Sector Accounting Standards Board
International Federation of Accountants
529 Fifth Avenue, 6th Floor
New York, NY 10017 United States of America

Dear John

Exposure Draft 58: Improvements to IPSASs 2015

The New Zealand Treasury welcomes the opportunity to provide comments to the International Public Sector Accounting Standards Board on ED 58: *Improvements to IPSASs 2015*

We commend the IPSASB issuing a single exposure draft that combines a number of minor improvements and clarifications with the view of improving the application of IPSASs. We are also generally supportive of all the amendments in ED 58.

We have provided our responses to the specified matters for comment attached.

Yours sincerely

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ATTACHMENT

Part I: Conceptual Framework Improvements to IPSASs

The New Zealand Treasury supports the IPSASB's limited scope project to make changes to IPSASs to reflect the first four chapters of the *Conceptual Framework* (covering role and authority; objectives and users; qualitative characteristics; and constraints on information in general purpose financial reports; and the reporting entity).

In particular, we agree that it is not appropriate to make piecemeal changes to recognition criteria, which includes the words "reliably" or "reliable", in advance of a fuller review of recognition criteria and related guidance. However, we agree that it is helpful that a footnote explaining the meaning of reliability from the *Conceptual Framework* is added in each IPSAS with recognition criteria or related guidance on aspects of measurement.

Part II: General Improvements to IPSASs

Amendment: Part II-1

The New Zealand Treasury understands why the IPSASB proposes removing reference to "the relevant international or national accounting standard with non-current assets held for sale and discontinued operations" in the relevant four IPSASs because IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors* covers the judgments that are to be used to develop an accounting policy in the absence of an IPSAS standard.

However we disagree with IPSASB's view expressed in the basis of conclusion that IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, is not appropriate for the public sector.

An equivalent of IFRS 5 had been part of the New Zealand suite of standards for public sector entities since 2004 and in our experience, the scope and criteria in IFRS 5 can be applied successfully by public sector entities. We believe there is a gap in the IPSASB literature in relation to this topic and encourage the IPSASB to consider developing guidance on this in the future.

Amendment: Part II-2

The New Zealand Treasury thanks the IPSASB for clarifying its intention in IPSAS 32 *Service Concession Arrangements* that service concession assets are to be classified in accordance with IPSAS 17 *Property Plant and Equipment* and IPSAS 31 *Intangible Assets* based on classes of assets that are similar in nature and function. The Treasury supports the amendment and believes it will remove any inconsistency in relation to the classification of service concession assets between these three standards that has arisen in practice in New Zealand.

Part III: Government Finance Statistics (GFS) Improvements to IPSAS

The New Zealand Treasury generally supports alignment with GFS where appropriate. However, the New Zealand Treasury believes that the proposed definition of weapon systems is unnecessarily narrow and may exclude some assets that we would regard as useful information to readers of the financial statements. For example, military vehicles specially fitted for military purposes which transfer military personnel but do not carry weapons or directly provide defence

capability but are part of the defence infrastructure, would potentially fall outside the weapons systems description and have to be captured in a more general category such as plant & equipment. While any delineation will be arbitrary, the New Zealand Treasury supports a wider definition of specialised military equipment that includes assets that are unique to, or specialised for, the defence force of a county, whether they carry weapons or not.

Part IV: IASB Improvements to IPSASs

The New Zealand Treasury agrees with the IPSASB's amendments to define bearer plants and include bearer plants within the scope of IPSAS 17 *Plant, Property and Equipment*, while the produce growing on bearer plants will remain within the scope of IPSAS 27 *Agriculture*

We concur with the IPSASB's view that there is no public sector specific reason for not adopting the IASB narrow scope amendments.

The New Zealand Treasury commends the IPSASB's efforts to align the requirements with IASB standards where it is appropriate. The Financial Statements of the New Zealand government consolidates both for-profit entities (who apply IFRS) and not-for-profit entities (who apply IPSAS). As a result there is a cost associated with restating the IFRS financial information to ensure it is IPSAS compliant. We therefore support any alignment between the two accounting frameworks where there is no public sector difference.