Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need-to-know series

Accounting Update

Tier 1 and Tier 2 public sector entities

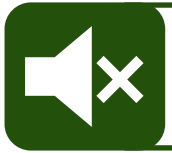
Tuesday 17 November 2026

XRB | *Te Kāwai Ārahi Pūrongo Mōwaho*
EXTERNAL REPORTING BOARD

Kia ora welcome to this webinar



We recommend using the side-by-side view



Please keep your video off and remain on mute



Put your questions into the Q&A. We may not be able to respond during webinar, but we will get back to you in due course



Slides and recording will be made available after the webinar



Survey to follow - Please provide us with your feedback



Thank you for joining us today
Enjoy the webinar

Agenda

- Upcoming standards and amendments
- Going Concern
- On the horizon
  - Locally
  - Internationally
- Review of the Accounting Standards Framework
- Questions

Slides and recording available on our website



About the XRB

Our purpose

Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance

Our strategy

Internationally aligned, locally relevant

Our approach

- Open, engaging and transparent
- Attuned to user needs, benefits and costs
- Agile and pragmatic
- Responsive to changing global and local context

What we deliver

- Financial reporting standards
- Audit and assurance standards
- Quality management and ethical standards for assurance practitioners
- Climate standards

What we do and don't do



Primary legislation: who standards apply to is set by Parliament



Secondary legislation: the framework and standards are set by the XRB



Monitoring and enforcement: sits with regulators such as the Financial Markets Authority (FMA)

New standards and amendments becoming mandatory this year and in upcoming years



New standards and amendments for PBEs

(December 2026 and June 2027 year-ends)

Standard/ Amendment	Description	Mandatory date
2024 Omnibus Amendments to PBE Standards (Amendments to PBE IPSAS 1 and PBE IAS 12)	• Amendments to PBE IPSAS 1: Clarify the principles of classifying a **liability** as **current or non-current**	• Periods beginning on/after 1 Jan 2026
	• Amendments to PBE IAS 12: Temporary **relief** from accounting for **deferred tax** arising from OECD's **international tax reforms** ('Pillar Two Model Rules')	• Periods beginning on/after 1 Jan 2024
Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17)	**Modifications** to some of the requirements of **PBE IFRS 17** ***Insurance Contracts*** – for application by **public sector PBEs**	Periods beginning on/after 1 Jan 2026
Amendments to XRB A2 resulting from the Regulatory Systems (Economic Development) Amendment Act 2025	Updates XRB A2 to reflect amendments to the Financial Reporting Act 2013 in relation to statutory size definitions.	Periods beginning on/after 29 Sept 2025

2024 Omnibus Amendments to PBE Standards:

Classification of liabilities as current or non-current

Reminder: **Liability** is classified as **current** if **any** of the following apply:

- Settled in entity's normal operating cycle
- Held primarily for being traded
- Due to be settled within 12 months of reporting date
- No right to defer settlement for at least 12 months

All other liabilities are classified as **non-current**

Amendments to PBE IPSAS 1 to **clarify** this requirement:

- Classification as current or non-current is based on **entity's rights** at **reporting date.**
- **Covenants** affect classification only if compliance required **on or before the reporting date.**
- Whether the entity is **likely to exercise its right** to defer settlement **doesn't affect classification.**

Clarified meaning of **'settlement'**

Disclosures for non-current liabilities where there are **covenants** entity must comply with **within 12 months after the reporting date**

New standards and amendments for PBEs

(December 2027 and June 2028 year-ends)

Standard/ Amendment	Description	Mandatory date
2025 Amendments to XRB A1 Application of the Accounting Standards Framework (Amendments to XRB A1)	• **Clarify** definition of **public accountability** • **Increase Tier 1 size threshold** for **for-profit public sector entities** in line with Tier 1 PBEs (**$33m expenses**) • **Clarify** when the **PBE Tier 4 criteria** are met	Periods beginning on/after 1 Jan 2027
Amendments to PBE Standards: Specific IFRIC Interpretations (Amendments to PBE IPSAS 10, PBE IPSAS 19 and PBE IAS 39)	• Amendments to PBE IPSAS 10: **clarify** how an entity restates its financial statements in the **first year of hyperinflation**. • Amendments to PBE IPSAS 19**: clarify** the accounting for changes in **decommissioning, restoration and similar liabilities** • Amendments to PBE IPSAS 39**:** clarify certain requirements when accounting for **post-employment defined benefits**	Periods beginning on/after 1 Jan 2027

Amendments to PBE Standards: Specific IFRIC Interpretations

Changes in decommissioning, restoration and similar liabilities

PBE IPSAS 17: Obligation to dismantle, remove or restore items of PP&E included in cost of PP&E item

PBE IPSAS 19: Measurement of decommission, restoration or similar liability

Appendix A of PBE IPSAS 19: Application Guidance: Changes in existing decommissioning, restoration and similar liabilities

If the **related asset** is measured using **cost model**: Change in liability deducted from, or added to, the cost of related asset

If the **related asset** is measured using **revaluation model:**

- **Decrease in liability** recognised in the revaluation surplus of the asset class, through other comprehensive revenue and expenses (OCRE) – or in surplus/deficit if reversing previous revaluation decrease.
- **Increase in liability** recognised in surplus/deficit – or through OCRE in the revaluation surplus of the asset class to the extent that it has credit balance

Wording clarified, illustrative example added

New standards and amendments for PBEs

(December 2027 and June 2028 year-ends)

Standard/ Amendment	Description	Mandatory date
PBE IPSAS 50 *Exploration for and Evaluation of Mineral Resources* *Consequential amendments arising from PBE IPSAS 50*	• Prescribes the accounting treatment for exploration and evaluation expenditures, including the recognition, measurement and presentation of exploration and evaluation assets	Periods beginning on/after 1 Jan 2027
Stripping Costs in the Production Phase of a Surface Mine (Amendments to PBE IPSAS 12)	• Guidance on when to capitalise or expense costs incurred to remove waste material in surface mining operations.	Periods beginning on/after 1 Jan 2027

Going Concern

Going concern

What is changing?

- **Accounting standards** – no changes. Going concern remains the reporting entity and governance's responsibility.
- **Auditing standards** – Revised ISA (NZ) 570 *Going Concern*
  - Increases the auditor's scrutiny of management's going concern assessment and introduce greater transparency about going concern in the auditor's report.
  - Applies to accounting periods beginning on or after **15 December 2026**.

What is going concern?

*The assumption that an entity will continue to operate for the foreseeable future and has neither the need to liquidate or cease trading (**ability**) not the intention to do so (**intent**).*



Going concern

What changes to expect?

- Greater audit scrutiny of management's going concern assessment
- Changes to auditor's report
  - *For **all entities**, the auditor's conclusion on whether the going concern basis of preparation is appropriate will be included.*
  - *For **FMC reporting entities with higher level of public accountability** in certain situation, a description of how the auditor evaluated management's going concern assessment will also be included.*



Going concern guidance*

**The guidance focuses on for-profit entities but is also relevant to PBEs.*

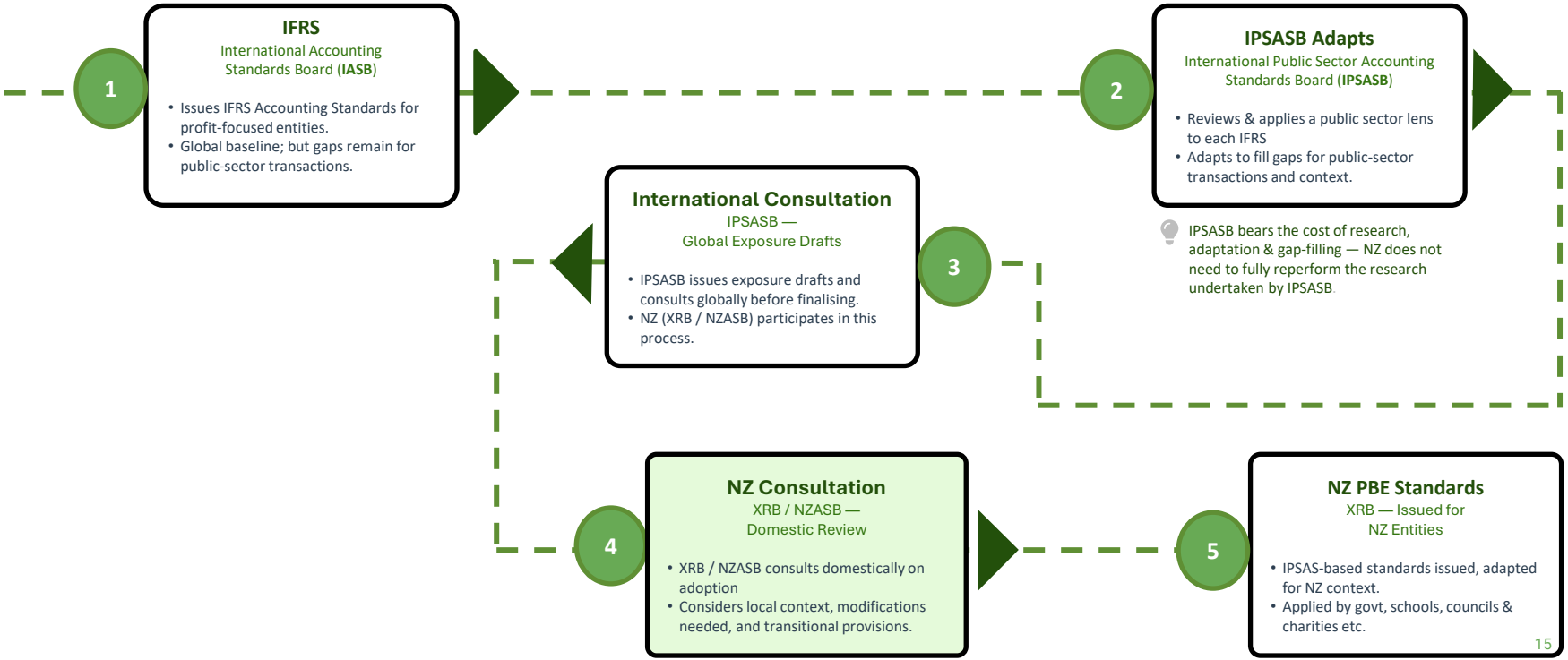
On the horizon



How NZ PBE Standards originate

The IFRS → IPSAS → NZ Pipeline

Many IPSAS standards begin as IFRS — IPSASB adds the public sector lens and absorbs the research cost before standards reach New Zealand; a sector-neutral IFRS-based approach would transfer that cost of creating public sector adaptations to NZ.



PBE Revenue and Transfer Expenses

Proposed new accounting requirements for **Tier 1 and Tier 2 PBEs**

ED PBE IPSAS 47 *Revenue*

- Single revenue standard replacing three (PBE IPSAS 9, PBE IPSAS 11, PBE IPSAS 23)
- Robust framework aiming to enhance transparency and consistency of reporting
- Aligned with IFRS 15 where relevant
- Additional guidance and examples

ED PBE IPSAS 48 *Transfer Expenses*

- Covers expenses like grants and donation paid, social welfare payments, etc.
- Fills gap in PBE Standards – enhanced consistency
- Requirements supported by guidance and examples



Internationally aligned with IPSASB Standards

Locally relevant for New Zealand PBEs

Coherent fundamental principles in both EDs

PBE Revenue and Transfer Expenses

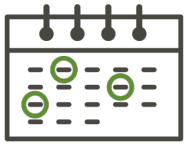
Proposed new accounting requirements for **Tier 1 and Tier 2 PBEs**

ED PBE IPSAS 47 *Revenue*

ED PBE IPSAS 48 *Transfer Expenses*



- Consultation closed December 2025
- What we heard: Respondents supported the principles in the EDs but raised application, capacity and cost concerns
- NZASB is deliberating ED feedback



Proposed mandatory date was 1 Jan 2029, but NZASB agreed to defer. New mandatory date to be communicated once determined.

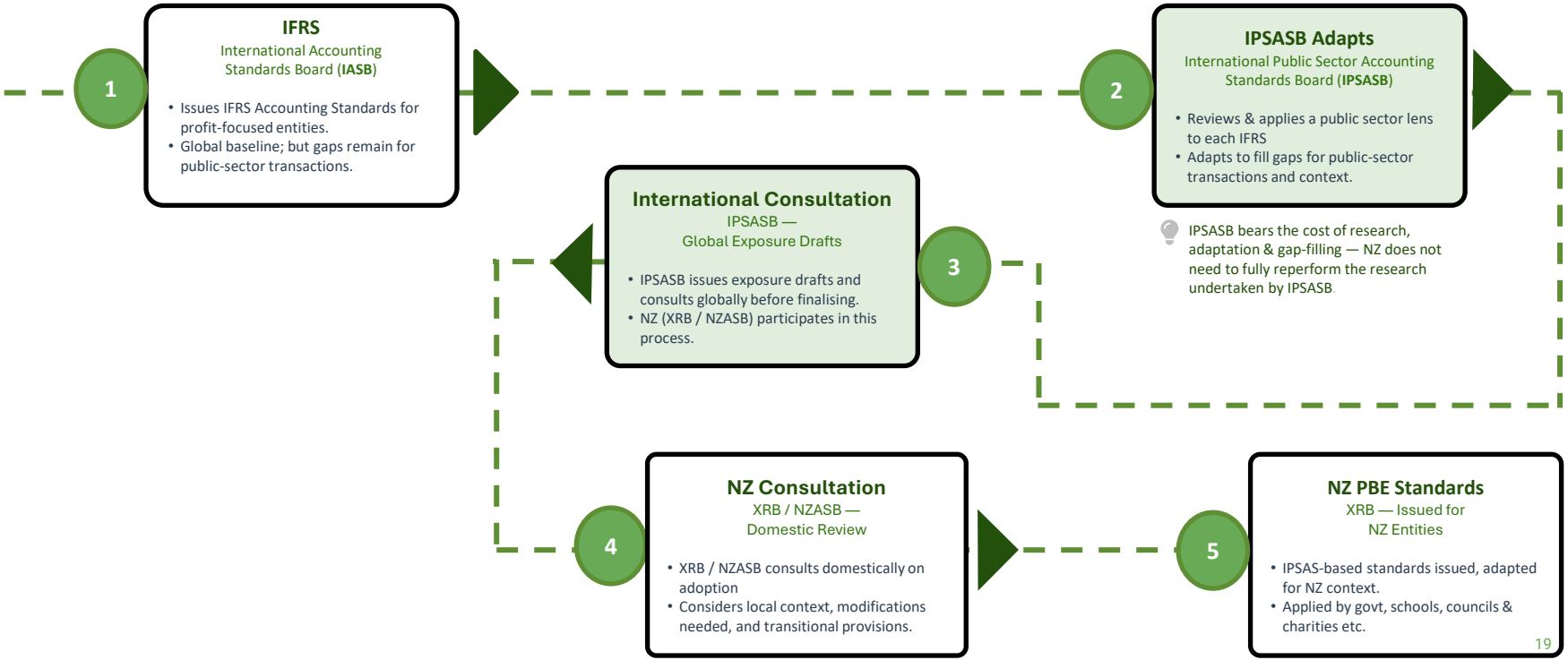
Other NZASB PBE projects

IPSASB standards	Description	NZASB actions:
IPSAS 43 *Leases*	IPSAS 43 introduces a right-of-use model where lessees recognise most leases on the balance sheet	PBE Leases project has been on hold – expected to recommence in 2027. More information here.
IPSAS 46 *Measurement* and related pronouncements issued as part of the Measurement project	The IPSASB Measurement project: • **Updated** definition of **fair value** (aligned with IFRS 13) • **New** measurement basis: **current operational value (COV)**	NZASB agreed to start a project to develop PBE Standards based on the IPSASB Measurement pronouncements. Work expected to start in 2027.
IPSAS 51 *Tangible Natural Resources Held for Conservation*	IPSAS 51 sets out accounting requirements for tangible natural resources held for conservation.	NZASB agreed not to develop a PBE Standard based on IPSAS 51, but to develop amendments to PBE Standards based on parts of IPSAS 51 – concurrently with PBE Measurement project

How NZ PBE Standards originate

The IFRS → IPSAS → NZ Pipeline

Many IPSAS standards begin as IFRS — IPSASB adds the public sector lens and absorbs the research cost before standards reach New Zealand; a sector-neutral IFRS-based approach would transfer that cost of creating public sector adaptations to NZ.



Other IPSASB projects (financial reporting)

IPSASB projects:	IPSASB actions:
Presentation of Financial Statements	Developing IPSAS based on IFRS 18 *Presentation and Disclosure in Financial Statements*, with modifications for the public sector. Consultation Paper closed for comment in Sep 2026. **ED expected 2027/2028.**
Materiality	**Phase 1: IPSASB amendments** *Definition of Material* – **Oct 2025** • Clarify that materiality relates to needs of *primary* users, align materiality definition in IPSAS with the Conceptual Framework **Phase 2:** Proposed guidance on *Making Materiality Judgements* **– reviewing ED feedback**
Improvements to IPSAS – Volume 10	**Issued Nov 2026**: **Amendments** to IPSAS based on recent IASB narrow-scope amendments: • *Contracts Referencing Nature-Dependent Electricity* • *Amendments to the Classification and Measurement of Financial Instruments* • *Supplier Finance Arrangements* Also: *Definition of an Operation and Recognition of Acquired Liabilities and Contingent Liabilities* (Amendments to IPSAS 40)

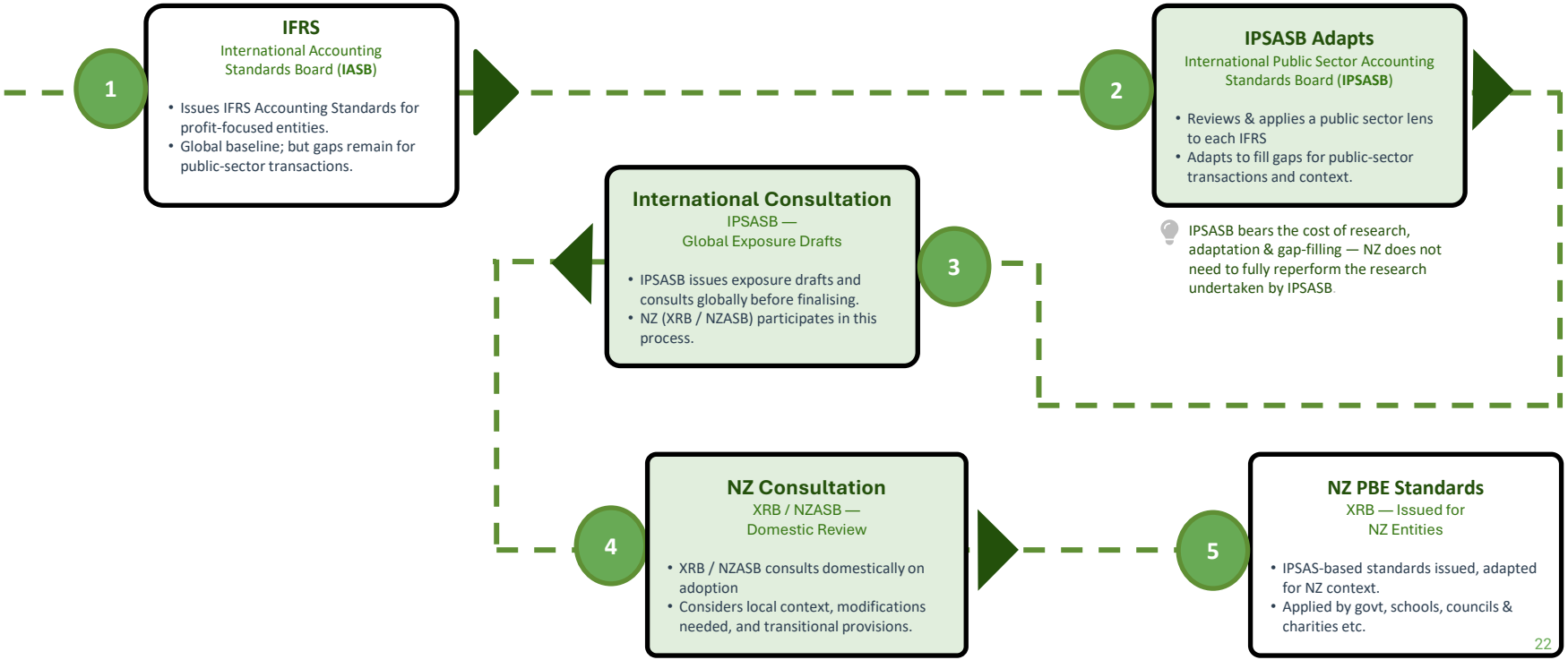
Other IPSASB projects (financial reporting)

IPSASB projects:	IPSASB actions:
Improvements to IPSAS – Volume 11	**ED expected in March 2027**, with proposals based on IASB amendments: • *Disclosure about Uncertainties in Financial Statements* (illustrative examples), with **additional public sector-specific examples** • *Translation to a Hyperinflationary Economy* (narrow-scope amendments)
IPSASB Work Programme Consultation	IPSASB agreed to **add to its work programme** financial reporting projects on: • Disclosure about Uncertainties in Financial Statements (see above) • Provisions – Targeted Improvements • Intangible assets Also: PIR of IPSAS 35 *Consolidated Financial Statements*
IPSASB Next Strategy Consultation	Developing new strategic objective – reflecting increased focus on implementation support and plan to actively champion the benefit of information based on IPSAS. **Consultation expected Dec 2026/Q1 2027**

How NZ PBE Standards originate

The IFRS → IPSAS → NZ Pipeline

Many IPSAS standards begin as IFRS — IPSASB adds the public sector lens and absorbs the research cost before standards reach New Zealand; a sector-neutral IFRS-based approach would transfer that cost of creating public sector adaptations to NZ.



Review of the Accounting Standards Framework



What you need for menti polls

Please have your phone or device ready to access menti.com – either via the QR code provided or through your web browser by using the code (*5596 2984*) displayed.

menti.com

5596 2984

Review of the Accounting Standards Framework

- We are reviewing the ASF to determine whether it remains fit for purpose – Read our initial analysis on our webpage
- Separate sessions on ASF background and options for public sector entities available
- Complete our surveys on each element of the ASF to provide early input
- **We expect to release a public discussion paper in May 2027 to seek your feedback**









Review of the Accounting Standards Framework

Purpose statement

The purpose of the accounting standards framework review is to assess whether New Zealand's tiered, multi-standard, sector-based accounting standards framework remains fit-for-purpose, internationally aligned and locally relevant, and continues to support high-quality, decision-useful financial reporting in the public interest.

The review is future-focused, evidence-based, and designed to explore viable options for the framework. It seeks to identify the key challenges, risks, opportunities and trade-offs that arise under different options. While we recognise that any changes to the framework will involve costs, the review will examine whether the framework continues to meet user needs and whether it achieves an appropriate balance between the benefits of reporting and the costs imposed on preparers and others.

NZ external reporting environment



Legislation creates the reporting obligation; XRB A1 then determines the sector, tier and applicable accounting requirements.

Please note: this diagram is a high-level overview of the NZ reporting environment and is not intended to be comprehensive.

Our current ASF: sector-based, tiered, multi-standard

For profit sector

For-profit entities

T1 & T2 for-profit entities

IFRS Foundation

Required or permitted in 161 jurisdictions

PBE Sector

Public sector entities

T1 & T2 PBEs

IPSASB

Converged with IFRS to the extent suitable for the public sector

Adopted or partially adopted in 86 jurisdictions*

*includes adoption of cash basis IPSAS

T3 & T4 PBEs

Locally developed accounting standards

Not-for-profit entities

These frameworks provide the foundation for the development of New Zealand standards. Additional local standards are incorporated to address specific domestic reporting requirements.

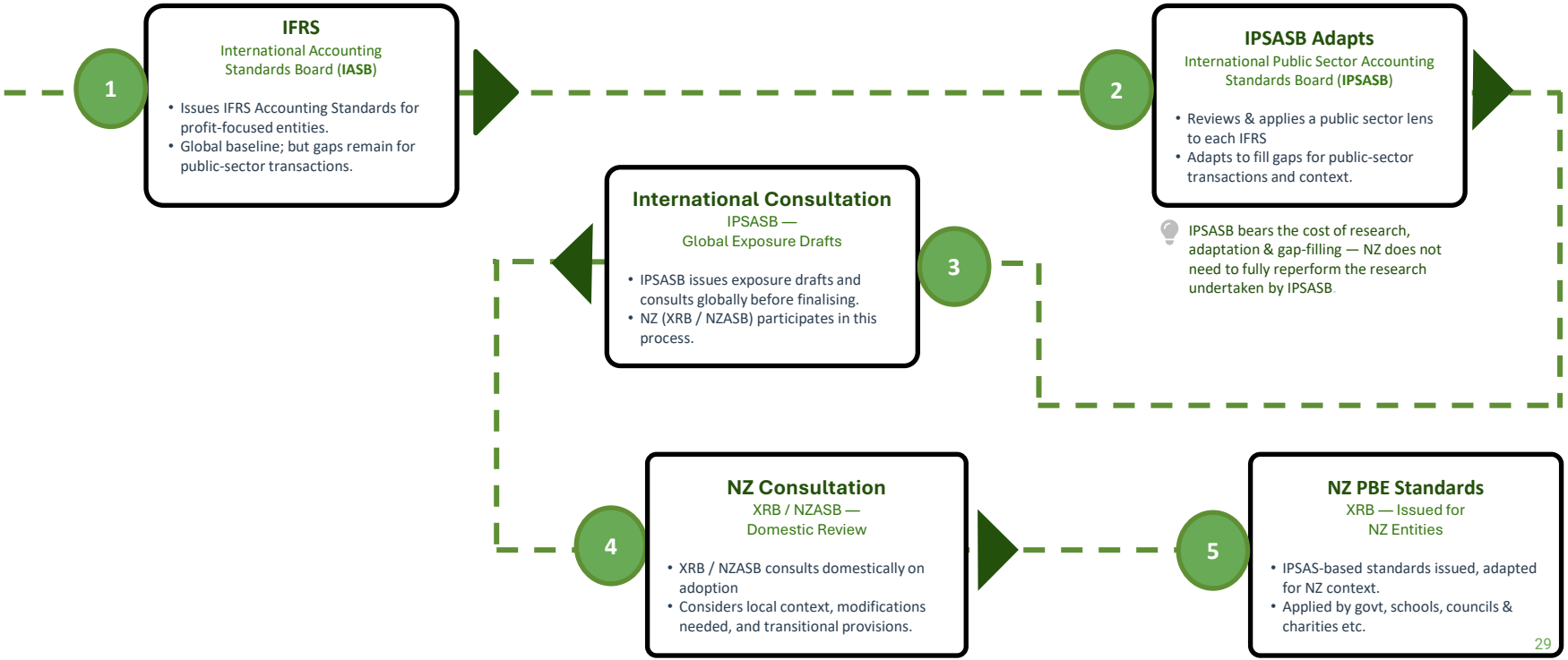
Financial reporting requirements based on:

- Public accountability
- Economic significance
- Separation between owners and governing body

How NZ PBE Standards originate

The IFRS → IPSAS → NZ Pipeline

Many IPSAS standards begin as IFRS — IPSASB adds the public sector lens and absorbs the research cost before standards reach New Zealand; a sector-neutral IFRS-based approach would transfer that cost of creating public sector adaptations to NZ.



Accounting Standards Framework (ASF)

XRB levers



1. Two-sector approach

- For-profit entities
- Public Benefit Entities (PBEs)
  - Public sector PBEs
  - Not-for-profit PBEs



2. Tiered approach

Different accounting requirements based on cost-benefit considerations.

- For-profit entities – 2 tiers
- PBEs – 4 tiers



3. Multi-standards

For-profit entities:
Standards based on IFRS Accounting Standards.

PBEs:
Tier 1 and Tier 2 standards primarily based on IPSAS standards.

Domestic simple format standards developed by the XRB for Tier 3 and Tier 4 PBEs.

An entity identifies its sector and tier, then applies the applicable standards.

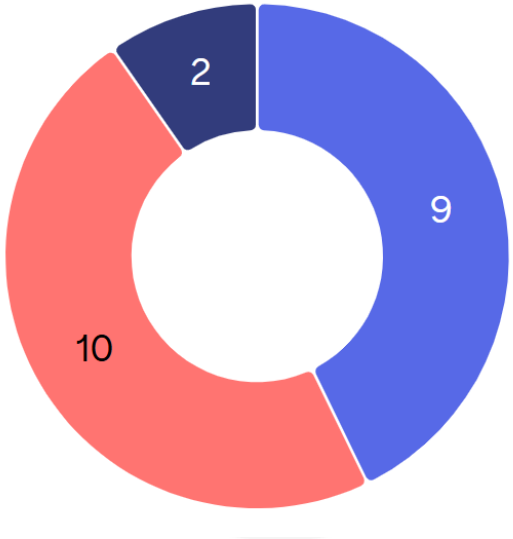
For-profit entities		Framework
Tier 1	• Public accountability (as defined in XRB A1); or • Large public sector for-profit entity • Total expenses > $33 million	NZ IFRS
Tier 2	• No public accountability • For-profit public sector entity with Total expenses ≤ $33 million	NZ IFRS RDR

PBE public sector and not-for-profit entities		Framework
Tier 1	• Public accountability; or • Large PBE with Total expenses > $33 million	PBE Standards
Tier 2	• No public accountability • Total expenses ≤ $33 million	PBE Standards RDR
Tier 3	• No public accountability • Total expenses ≤ $5 million	Tier 3 Standard
Tier 4	• No public accountability • Permitted by law to use non-GAAP cash accounting	Tier 4 Standard

*Ministerial approval may be required for changes to sectors, the number of tiers, and the international standards used as the basis for New Zealand standards (Financial Reporting Act 2013, sections 31 and 32).

Review of the Accounting Standards Framework

Which sector structure do you believe would best serve New Zealand's future? (select one)



9	Current two-sector model (for-profit/PBE)
10	Three-sector model (for-profit/public sector/not-for-profit (for purpose))
2	Sector-neutral approach
0	Another approach (please specify in the chat)
0	Unsure

Accounting Standards Framework (ASF)

XRB levers

1. Two-sector approach

- For-profit entities
- Public Benefit Entities (PBEs)
  - Public sector PBEs
  - Not-for-profit PBEs

2. Tiered approach

Different accounting requirements based on cost-benefit considerations.

- For-profit entities – 2 tiers
- PBEs – 4 tiers

3. Multi-standards

For-profit entities:
Standards based on IFRS Accounting Standards.

PBEs:
Tier 1 and Tier 2 standards primarily based on IPSAS standards.

Domestic simple format standards developed by the XRB for Tier 3 and Tier 4 PBEs.

An entity identifies its sector and tier, then applies the applicable standards.

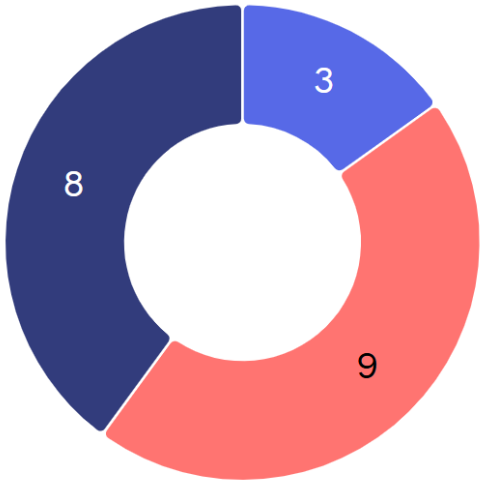
For-profit entities		Framework
Tier 1	• Public accountability (as defined in XRB A1); or • Large public sector for-profit entity • Total expenses > $33 million	NZ IFRS
Tier 2	• No public accountability • For-profit public sector entity with Total expenses ≤ $33 million	NZ IFRS RDR

PBE public sector and not-for-profit entities		Framework
Tier 1	• Public accountability; or • Large PBE with Total expenses > $33 million	PBE Standards
Tier 2	• No public accountability • Total expenses ≤ $33 million	PBE Standards RDR
Tier 3	• No public accountability • Total expenses ≤ $5 million	Tier 3 Standard
Tier 4	• No public accountability • Permitted by law to use non-GAAP cash accounting	Tier 4 Standard

*Ministerial approval may be required for changes to sectors, the number of tiers, and the international standards used as the basis for New Zealand standards (Financial Reporting Act 2013, sections 31 and 32).

Review of the Accounting Standards Framework

For proportionality, should Tier 1 and Tier 2 public sector entity reporting requirements differ? (select one)



3	Tier 1 and Tier 2 public sector entities should have consistent reporting requirements
9	Keep separate tiers – current RDR approach
8	Keep separate tiers – add simplified recognition and measurement for Tier 2
0	Another approach (please specify in the chat)
0	Unsure

Review of the Accounting Standards Framework

Overall, do you think the review of the ASF should focus primarily on:



2 Maintaining stability



20 Making targeted improvements

0 Undertaking significant reforms

0 Unsure

XRB | *Te Kāwai Ārahi Pūrongo Mōwaho*
EXTERNAL REPORTING BOARD

Pātai Questions?

Find out more
xrb.govt.nz

Follow us
linkedin.com/company/external-reporting-board

Contact us
enquiries@xrb.govt.nz

Subscribe
xrb.govt.nz/sign-up

XRB | *Te Kāwai Ārahi Pūrongo Mōwaho*
EXTERNAL REPORTING BOARD



Thank you

Mā te wā