

Memorandum

To: NZASB Members
Meeting date: 12 October 2026
Subject: **Review of the Accounting Standards Framework (ASF) – Public benefit entity (PBE) sector overview**
Date: 1 October 2026
Prepared by: Raveen Kaur
Inputs by: Tereza Bublikova; Alex Stainer
Through: Gali Slyuzberg; Michelle Lombaard

☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. The purpose of this paper is to provide the Board with the common Public Benefit Entity (**PBE**) context and assessment approach for the public sector (**PS**) and not-for-profit (**NFP**) Tier 1–4 reporting framework papers as part of the Accounting Standards Framework (**ASF**) review.

Recommendations

2. We recommend the Board:
 - (a) **NOTE** the common context and assessment approach for the PS and NFP Tiers 1–4 reporting framework review papers; and
 - (b) Provide **FEEDBACK** on whether any additional common matters should be considered across this paper relating to the PS and NFP reporting framework assessments.

Scope and how to read this suite of papers

3. This paper supports the separate PS and NFP Tier 1–4 framework papers by setting out the PBE-specific context, common considerations and assessment approach that apply across the PBE workstream.
4. Broader ASF history, structure, legislative environment, project scope and overall methodology are addressed in the **Background and Context paper**. Public accountability for tier allocation is considered separately in the **Definition of Public Accountability paper**. References in this paper to accountability relationships concern broader PBE reporting considerations and should not be read as references to public accountability as defined in XRB A1 unless stated otherwise.
5. The underlying PS and NFP Tier 1–4 papers apply this common approach to their respective reporting populations and framework options. Detailed population evidence, tier-specific option analysis and proposed consultation matters are addressed in those papers rather than repeated here.

Contents of paper

Background: Current PBE reporting framework

Distinctive characteristics of PBE reporting

Common PBE framework and distinct reporting populations

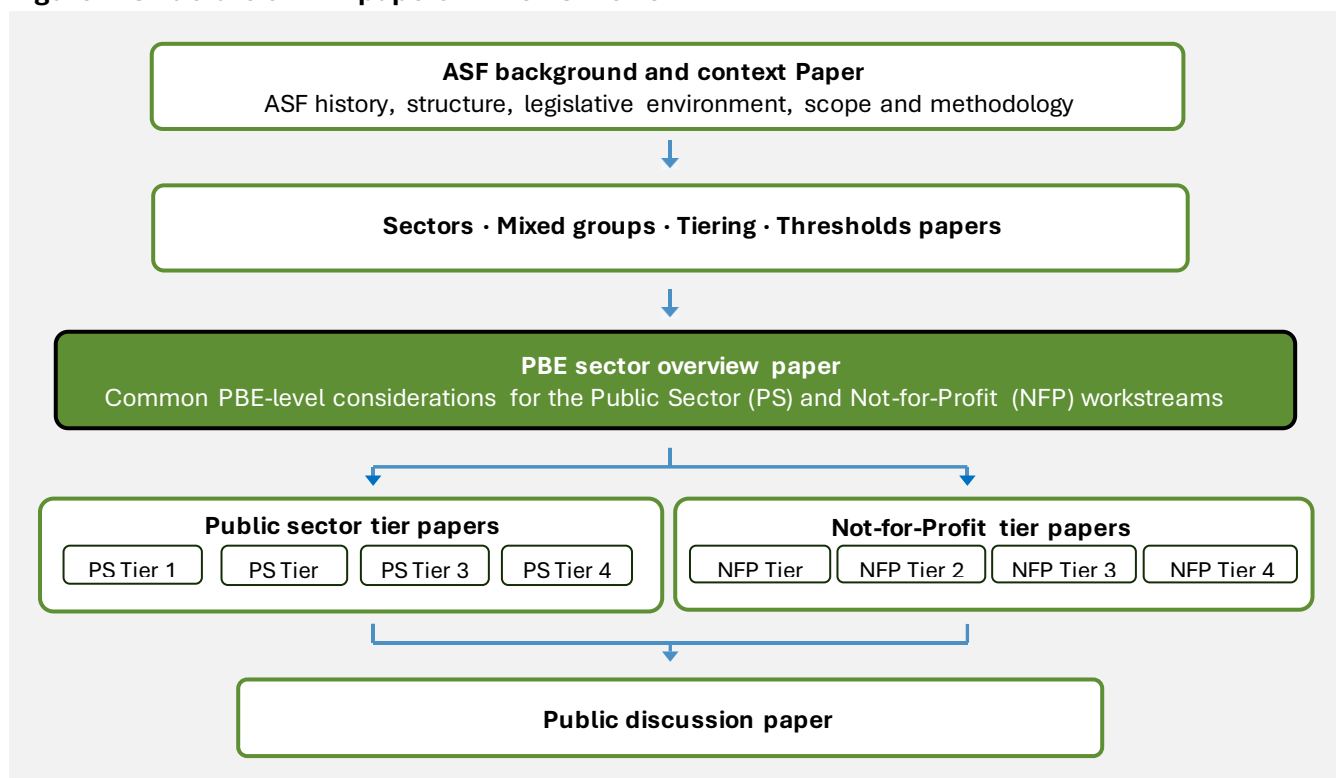
Common areas of analysis

Structure and assessment approach for the PS and NFP tier papers

Question for the Board

6. Although the ASF comprises separate for-profit and PBE sectors, the ASF review considers the for-profit, PS and NFP reporting populations separately. Further information on the sector structure and review approach is provided in the **Background and Context paper**.
7. Figure 1 shows how this overview paper relates to the PS and NFP Tier 1–4 papers and where it fits into the broader ASF review suite.

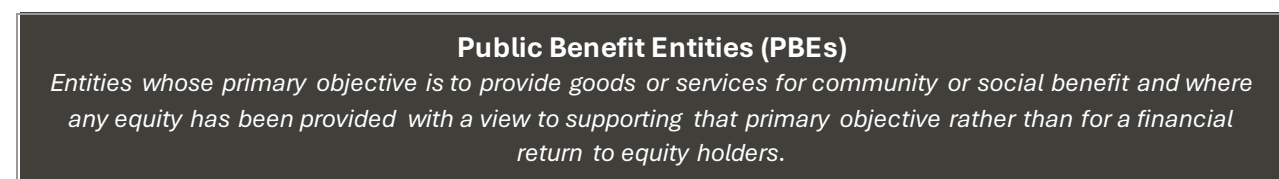
Figure 1: Structure of PBE papers in the ASF review



Background: Current PBE reporting framework

8. PBEs comprise public sector (**PS**) PBEs and not-for-profit (**NFP**) PBEs. Figure 2 summarises the PBE reporting populations in accordance with the definitions in [XRB A1, paragraph 6](#).

Figure 2: PBE reporting populations



PS PBEs	NFP PBEs
PBEs that are public entities as defined in the Public Audit Act 2001, and all Offices of Parliament.	PBEs that are not PS PBEs. <i>Examples may include charities, incorporated societies and other not-for-profit entities¹</i>

9. The four-tier PBE framework forms part of the ASF's sector-based and multi-tier structure. In establishing that structure, the Board considered user needs and cost-benefit considerations, including the significant variation in the size of PBEs required to prepare general purpose financial reports.² Further background on the wider ASF structure is provided in the **Background and Context paper**.

Figure 3: Current PBE reporting standards

Tier	Standards for PBEs (PS and NFPs)
Tier 1	PBE Standards <i>Primarily IPSAS-based</i>
Tier 2	PBE Standards RDR <i>Primarily IPSAS-based with reduced disclosures</i>
Tier 3*	Domestic PBE reporting standards <i>Accrual-based simple format reporting</i>
Tier 4*	Domestic PBE reporting standards <i>Cash-based simple format reporting</i>

Basis of the Tier 1 and Tier 2 PBE Standards

10. Tier 1 and Tier 2 PBEs apply PBE Standards that are based primarily on International Public Sector Accounting Standards (**IPSAS Standards**). In establishing the current framework, the Board considered IPSAS Standards to provide a better basis for PBE reporting than IFRS Accounting Standards because IPSAS Standards are developed for public sector users, including service recipients and a wider group of resource providers, whereas IFRS Accounting Standards are developed primarily for users in capital markets.³ It was considered that user needs in the NFP PBE sector were broadly similar to user needs in the public sector, rather than with the needs of capital market participants in the for-profit sector.
11. The PBE Standards are described as primarily IPSAS-based because the suite also includes standards based on IFRS Accounting Standards and domestic standards for matters not addressed by IPSAS Standards, as well as some modifications of IPSAS Standards to ensure that they are fit-for-purpose in New Zealand, for example by enhancing the clarity of requirements, adding requirements and guidance for not-for-profit PBEs, etc. For more information on reasons to modify requirements in IPSAS, refer to the External Reporting Boards (**XRB**) PBE Policy Approach to Developing the Suite of PBE Standards.⁴ Further information on IPSAS Standards and their relationship with the New Zealand PBE Standards is provided in the IPSAS factsheet accompanying the relevant tier papers' appendices.
12. Tier 2 PBE Accounting Requirements have the same recognition and measurement requirements as Tier 1, with disclosure concessions.⁵ Tier 1 and Tier 2 therefore retain a

¹ Examples only; legal form is not determinative of PBE classification. Refer to XRB A1, [paragraph 6](#) and [Appendix A](#).

² XRB, *XRB A1 Application of the Accounting Standards Framework*, [Basis of Conclusions, paragraphs 4–6](#), and [Basis of Conclusions, paragraph 29](#).

* Separate standards apply to PS PBEs and NFP PBEs at Tiers 3 and 4.

³ XRB, *XRB A1 Application of the Accounting Standards Framework*, [Basis of Conclusions, paragraph 34](#).

⁴ XRB, [Policy Approach to Developing the Suite of PBE Standards](#), updated August 2020

⁵ XRB, *XRB A1 Application of the Accounting Standards Framework*, [Basis of Conclusions, paragraph 36](#).

common recognition and measurement basis, while eligible Tier 2 entities apply reduced disclosure requirements.

13. IPSAS Standards are developed by the International Public Sector Accounting Standards Board (**IPSASB**) for governments and other public sector entities internationally. Jurisdictions use IPSAS Standards in different ways, including direct adoption, modification for local circumstances, or as a reference point in developing national public sector accounting standards. New Zealand is identified internationally as applying IPSAS Standards modified for the local context.⁶
14. IPSAS Standards are maintained through the IPSASB's international standard-setting and due process arrangements. This provides an international standards development and maintenance framework that is relevant when considering the sustainability and ongoing operation of New Zealand's PBE reporting framework.

Domestic Tier 3 and Tier 4 standards

15. Tier 3 PBE Accounting Requirements use a domestically developed simple-format reporting approach. In broad terms, the recognition and measurement requirements are similar to Tier 1, albeit simplified and less comprehensive, with more significant changes in approach for presentation and disclosure. Separate accrual-based standards apply to PS and NFP PBEs to reflect differences in user needs and legislative requirements between the two PBE sub-sectors, including terminology and service performance reporting. For example, Tier 3 public sector PBEs are required report on service performance only where there is an applicable legislative requirement.
16. Tier 4 PBE Accounting Requirements also use a simple-format reporting approach but are designed to be simpler than Tier 3 and comprise non-GAAP standards. Separate cash-based standards apply to PS and NFP PBEs.
17. The basis for the Tier 3 and Tier 4 approaches is discussed in [XRB A1, BC37–BC40](#).
18. The current Tier 3 and Tier 4 PS and NFP standards were issued in May 2023 and became mandatory for accounting periods beginning on or after 1 April 2024. This relatively recent implementation is relevant when considering the extent of evidence currently available on the operation of the domestic standards.
19. Further information on the tier criteria, thresholds and development of the PBE framework is provided in the [Background and Context paper](#).

Distinctive characteristics of PBE reporting

20. PBEs are characterised by a primary objective of providing goods or services for community or social benefit rather than generating a financial return to equity holders. This affects the nature of accountability and the information needed from general purpose financial reporting. Financial performance alone may not provide a complete picture of how a PBE has obtained, managed and used resources to deliver services. Across both PS and NFP populations, PBE reporting therefore has a strong accountability and stewardship focus.
21. Relevant reporting circumstances may include grants and transfers, transactions where consideration is not at market terms, donated resources, restrictions or conditions over the use of resources, and assets held primarily to support service delivery rather than to generate

⁶ International Federation of Accountants (IFAC) and Chartered Institute of Public Finance and Accountancy (CIPFA), [International Public Sector Financial Accountability Index: 2025 Status Report](#).

financial returns. The nature and significance of these matters differ across entities, sectors and tiers.

22. This common PBE context is relevant when assessing technical fitness of a framework. A framework needs to be capable of faithfully representing the transactions and accountability relationships of the relevant PBE population, while remaining proportionate to the information needs of users and the costs and capability of preparers.

Common PBE framework and distinct reporting populations

22. PS and NFP entities are not homogeneous reporting populations. Their legislative and regulatory environments, accountability relationships and users, funding and service-delivery arrangements, transaction profiles and reporting capability may differ.
23. The broader PS and NFP reporting environments are significant in scale and diversity, with detailed population evidence considered in the relevant tier papers.
24. This paper therefore focuses on matters that are common across the PBE framework, or where the relationship between the PS and NFP workstreams needs to be considered. Population-specific evidence, analysis and conclusions are addressed in the relevant tier papers.
25. The nature and significance of practical challenges may differ across sectors and tiers. Challenges identified in the Tier 1 or Tier 2 PS workstreams should not be assumed to apply to Tier 3 or Tier 4, or to the NFP workstream. Each tier paper therefore identifies and tests the practical challenges relevant to its own reporting population

Common areas of analysis

26. The following common areas of analysis recur across the PS and NFP Tier 1–4 papers and, where relevant, draw on common evidence used consistently across the workstream. They support consistency across the PBE workstream but are not separate assessment criteria and do not limit the matters considered for each framework option.

• Information needs of users and preparer considerations

27. The primary users of PBE general purpose financial reports are service recipients and resource providers, and their representatives, who rely on those reports for accountability and decision-making purposes.⁷ A common PBE reporting objective and a common broad description of primary users does not mean that PS and NFP entities, or entities in different tiers, have the same users, accountability relationships or reporting circumstances.
28. Service performance information forms part of PBE general purpose financial reporting and is relevant to the accountability and information needs of PBE users. Detailed service performance reporting requirements are outside the scope of this paper.
29. PBE financial statements also operate within a wider accountability environment. Depending on the entity, users may receive financial information alongside service performance information, budgets, funding or appropriation information, annual reports and other statutory or regulatory reporting. The role of the accounting framework should therefore be considered within that wider reporting environment rather than in isolation.
30. The tier papers therefore consider whether each viable framework option is proportionate for the relevant population, including the balance between users' information needs and

⁷ XRB, [Public Benefit Entities' Conceptual Framework](#), paragraphs 2.1–2.4. Paragraph 2.1 identifies accountability and decision-making as the objectives of financial reporting, and paragraph 2.4 identifies service recipients and their representatives, and resource providers and their representatives, as the primary users of GPFRs.

accountability requirements, and the costs, complexity and capability demands of reporting, including relevant audit implications.

31. Evidence availability may differ across PS and NFP populations and tiers, and administrative data may not map directly to XRB A1 reporting populations and tier classifications. Where evidence on populations, users, preparers, costs, capability, practical challenges or reporting impacts is limited, those limitations are identified in the relevant tier papers and may inform further outreach or consultation. This is particularly relevant to the Tier 3 and Tier 4 assessments given the relatively recent implementation of the revised standards described in paragraph 18.

- **International practice, alignment and comparability considerations**

32. IPSAS Standards are the primary international basis for the current Tier 1 and Tier 2 PBE Standards and are particularly relevant to the PS workstream. For NFP entities, IPSAS remains relevant to the current framework, while the International Non-Profit Accounting Standard (**INPAS**) provides an additional NFP-specific international reference point. Its relevance and implications are considered further in the NFP tier papers.
33. International alignment is therefore a common PBE consideration, but the relevant reference points and their significance may differ between the PS and NFP workstreams and across tiers. Australia provides a relevant comparator, while the implications of international and domestic approaches for comparability, credibility, sustainability and practical application are assessed in the relevant tier papers.

- **Optionality and framework coherence considerations**

34. The different standards bases and existing links across the PBE tiers make framework coherence a particular consideration for the PBE workstream. Framework options therefore need to be considered not only for their suitability within an individual tier, but also for their effect on the relationships between tiers and on the operation of the wider PBE framework.
35. Movement between Tier 1 and Tier 2 does not change an entity's recognition and measurement requirements. Movement involving Tier 3 or Tier 4 may involve more substantive changes in reporting requirements and transition between different reporting bases. This may affect systems, reporting processes, training, audit approaches, workforce capability and transition costs, and the significance of those effects should be assessed in the relevant tier papers.
36. Optionality is not only an entity-choice issue. Where framework options introduce or permit different reporting bases within or across tiers, the assessment should consider effects on coherence, comparability, understandability, operability, fragmentation risk, ecosystem capacity and the sustainability of the wider PBE framework.
37. The sustainability of the framework over time is also relevant. This includes whether an option can be supported and maintained within New Zealand's standard-setting, implementation, audit and advisory ecosystem, and the frequency and scale of future changes that may need to be absorbed. These matters are considered through the ecosystem, transition cost and ongoing cost criteria rather than as a separate assessment criterion.

Structure and assessment approach for the PS and NFP tier papers

38. The overall viable-options methodology for the ASF review is set out in the **Background and Context paper**. The PS and NFP Tier 1–4 papers apply that methodology using the common framework-level assessment criteria set out below.

39. The PS and NFP Tier 1–4 papers generally use a common structure and assessment approach to support consistency in how framework options are described, assessed and compared, while allowing each paper to reflect the circumstances of the relevant reporting population and tier.
40. The criteria are intended to support structured judgement across each sector for each alternative framework. Noting that, interoperability is relevant across the PBE tiers, while technical fitness is considered in the context of the transactions, users and accountability relationships of the relevant PS or NFP population.

Figure 4: Framework assessment criteria

	Focus of assessment
Criterion	Public Sector and Not-for-Profit PBEs
1. Technical fitness	Public Sector: Technical fitness; coherent suite capable of <u>faithfully representing public sector transactions and accountability relationships</u>, developed with user needs in mind (preparers and user focus) – focused on benefits. NFP: Technical fitness; coherent suite capable of <u>faithfully representing not-for-profit transactions and accountability relationships</u>, developed with user needs in mind (preparers and user focus) – focused on benefits.
2. Simplification	Recognition, measurement and disclosure simplification options (addressing preparer complexity while maintaining decision useful information)
3. Local relevance	Ability to reflect NZ economic and user needs, including through local modifications and international standard-setting influence (importance may vary across tiers and entity types) – focused on benefits.
4. International alignment	Internationally aligned, recognised and comparable - including Australia (importance may vary across tiers and entity types) – focused on benefits.
5. Ongoing costs	Ongoing costs of applying and maintaining the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)
6. Move between tiers ★	Interoperability with Tier 1 (accounting requirements and workforce capability)
7. Ecosystem	Availability of skills, guidance, systems, audit capability and training to support implementation and ongoing application.
8. Transition costs	Cost of change (transition costs for preparers, auditors, regulators and wider ecosystem)



Tier 2 public sector key criteria are consistent to that of Tier 1 except for the addition of:



Move between tiers – Interoperability with Tier 1 (accounting and workforces)

41. The same criteria are applied across the PS and NFP workstreams, but the relative emphasis may differ. Relevant international reference points and ecosystem considerations may also

differ. These differences are addressed within the relevant tier papers rather than by applying different assessment criteria.

42. Figure 5 below is included as a navigation aid to show where the common assessment criteria and common areas of analysis are generally embedded in those papers; it does not add separate analysis or assessment criteria to those papers. While the papers follow a broadly consistent approach, the structure, emphasis and extent of analysis within individual sections may be tailored to reflect the issues, evidence and framework options relevant to each tier.

Figure 5: Navigation aid – structure of each PS and NFP tier review paper

Section in each tier paper	
Background and context for relevant tier	Provides the tier-specific context needed to understand the reporting population, current requirements and framework options considered in the paper.
Legislative and regulatory environment	Explains the legislative and regulatory settings that determine which entities prepare GAAP-compliant financial statements and how tier eligibility applies.
Characteristics of the reporting population	Describes the nature, scale and diversity of entities within the relevant tier, including features that may affect the framework assessment.
Information needs of users and preparer considerations	Considers the information needs of users and the practical, audit and cost considerations for preparers applying the framework
International practice, alignment and comparability considerations	Considers approaches used in other jurisdictions and how international alignment affects comparability, recognisability and sustainability of a framework in New Zealand.
Practical challenges with the current tier framework	Explains how the current framework operates in practice, including identified benefits, challenges and implementation issues.
Reporting framework options considered	Identifies the framework options considered for the relevant tier, including the current framework and alternative options within the scope of the tier paper.
Optionality and framework coherence considerations	Considers whether the framework options support flexibility while maintaining coherence, comparability, understandability and operability across the tier and wider PBE framework.
Analysis of framework options	Assesses each framework option using the common framework-level criteria and identifies the key benefits, limitations and implications of each option.
Summary observations and framework options for consultation	Summarises the overall assessment and identifies the framework option or options to be presented for consideration in the public discussion paper.

Question for the Board

Q1. Does the Board have any **FEEDBACK** on the common PBE context, areas of analysis and assessment approach set out in this paper for the PS and NFP Tier 1–4 framework papers?