



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Need-to-know series

Introduction to the review of the Accounting Standards Framework (ASF) – Part 2

Sectors, tiers and thresholds and Tier 1 and Tier 2 public sector entity frameworks

Tuesday 20 October 2026

12:00pm – 1:30pm

External Reporting Board



Presenters

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Project Manager, Accounting Standards



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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



Polling questions included - Please provide us with your feedback



Thank you for joining us today
Enjoy the webinar



Overview



- Overview of the ASF review
- Sectors
- Tier 1 and Tier 2 public sector population explained
- Tiers and thresholds
- Framework options analysis
- Questions



Webinar slides and recording will be available on our website

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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: sit with regulators such as the Financial Markets Authority (FMA)

Overview of the ASF review



The New Zealand External Reporting Environment

Where does the ASF fit within the broader New Zealand external reporting environment?



General Purpose Financial Report (GPFR)

and climate reporting prepared in accordance with standards issued by the XRB



THE GOVERNMENT

Who reports?

Statutory Reporting Framework

- Financial statement preparation / Generally Accepted Accounting Practice (GAAP)
- Filing and publication requirements
- Audit and assurance requirements

Legislation

- Financial Reporting Act 2013
- Companies Act 1993
- Financial Markets Conduct Act 2013
- Public Finance Act 1989
- Charities Act 2005
- Other sector legislation



Future Legislative Reform

The XRB considers whether legislative changes require amendments to reporting and assurance frameworks.

THE XRB

WHAT TO REPORT



Accounting Standards Framework (ASF)

The XRB's strategic approach to setting accounting standards through the application of XRB A1.

- Multi-sector approach
- Tiered approach
- Uses IFRS Accounting Standards and IPSAS as the basis for NZ standards
- Develop local standards



Accounting Standards

Establishes the specific requirements for the preparation of GPFR, including standards for different sectors and tiers.



Climate Reporting Standards

Requirements for climate-related disclosures.

- New Zealand Climate Standards (NZ CS)
- Climate-related risks and opportunities
- Decision-useful climate information

AUDIT OR REVIEW



Auditing and Assurance Standards Framework

The XRB's strategic approach to setting auditing and assurance standards.



Auditing and Assurance Standards

Requirements for:

- Financial statement audits
- Assurance engagements
- Climate-related assurance engagements



Quality Management and Ethical Standards for Assurance Practitioners

Support quality, integrity and professional ethics in assurance engagements.



OTHER REPORTING OBLIGATIONS

Other reporting

Established through legislation, regulations or by other means for other information reported in the annual report and/or other external reports.



Information disclosures



Annual reports



Integrated reporting etc.

Special Purpose Financial Statements

Entities who have no statutory requirements to prepare GPFR may still need to prepare financial statements for tax, governance, etc.

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

Why are we doing a review of the ASF?



The Foundation

- ASF approved in 2012 to provide structured reporting
- Came into effect over Jul 2014 – Apr 2015
- 2019 high-level review confirmed it was operating as intended

A changing landscape

- Significant shifts in international and domestic contexts since 2012
- Accounting standards have matured and evolved significantly
- User needs and reporting expectations have shifted globally

Questions in 2026

- Is the framework fit-for-purpose and for the future?
- Is it meeting the evolving needs of users of financial reporting?
- Does it appropriately balance costs and benefits?
- Is it sufficiently locally relevant?

Purpose of the ASF review



Purpose of the ASF review

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

Scope of the review



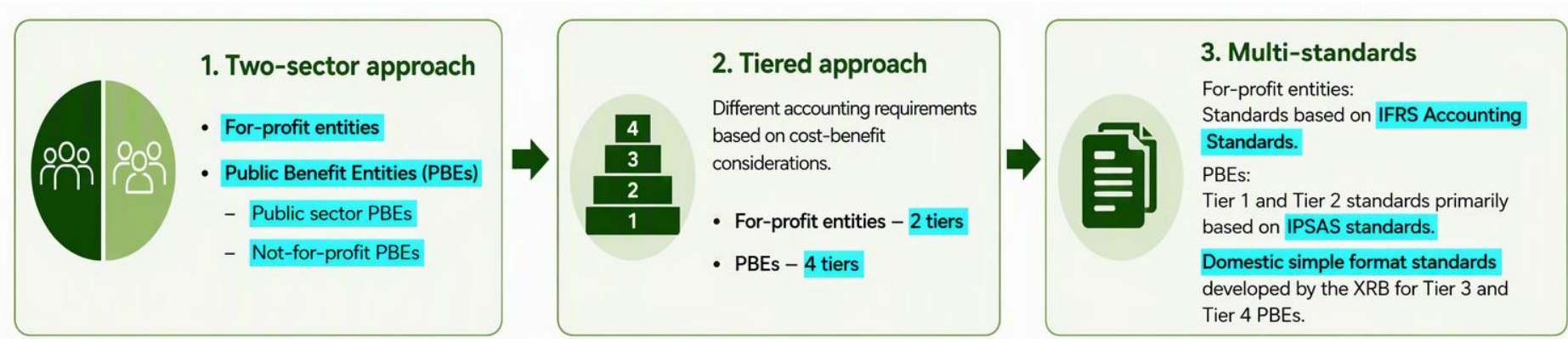
What is out of scope for this review

To keep the review focused on the structure and operation of the ASF itself, the following matters have been agreed as out of scope.

Out-of-scope matter	Implication for this review
Legislative reporting requirements	The review will not consider the legislative requirements that determine which entities must prepare financial statements in accordance with XRB standards.
Detailed standard-setting requirements	The review will not reconsider the detailed recognition, measurement, presentation and disclosure requirements within existing standards, including RDR concessions and the Conceptual Framework, or whether particular standards or disclosures are mandatory for certain sectors, tiers or entity types (such as service performance reporting for PBEs).
Assurance and professional standards	The review will not consider auditing, assurance, professional or ethical standards.
Climate Standards	The review will not consider the XRB’s Climate Standards.
Broader reporting architecture	The review will not consider the XRB’s broader architecture of reporting, other than the ASF.

Accounting Standards Framework (ASF)

XRB levers

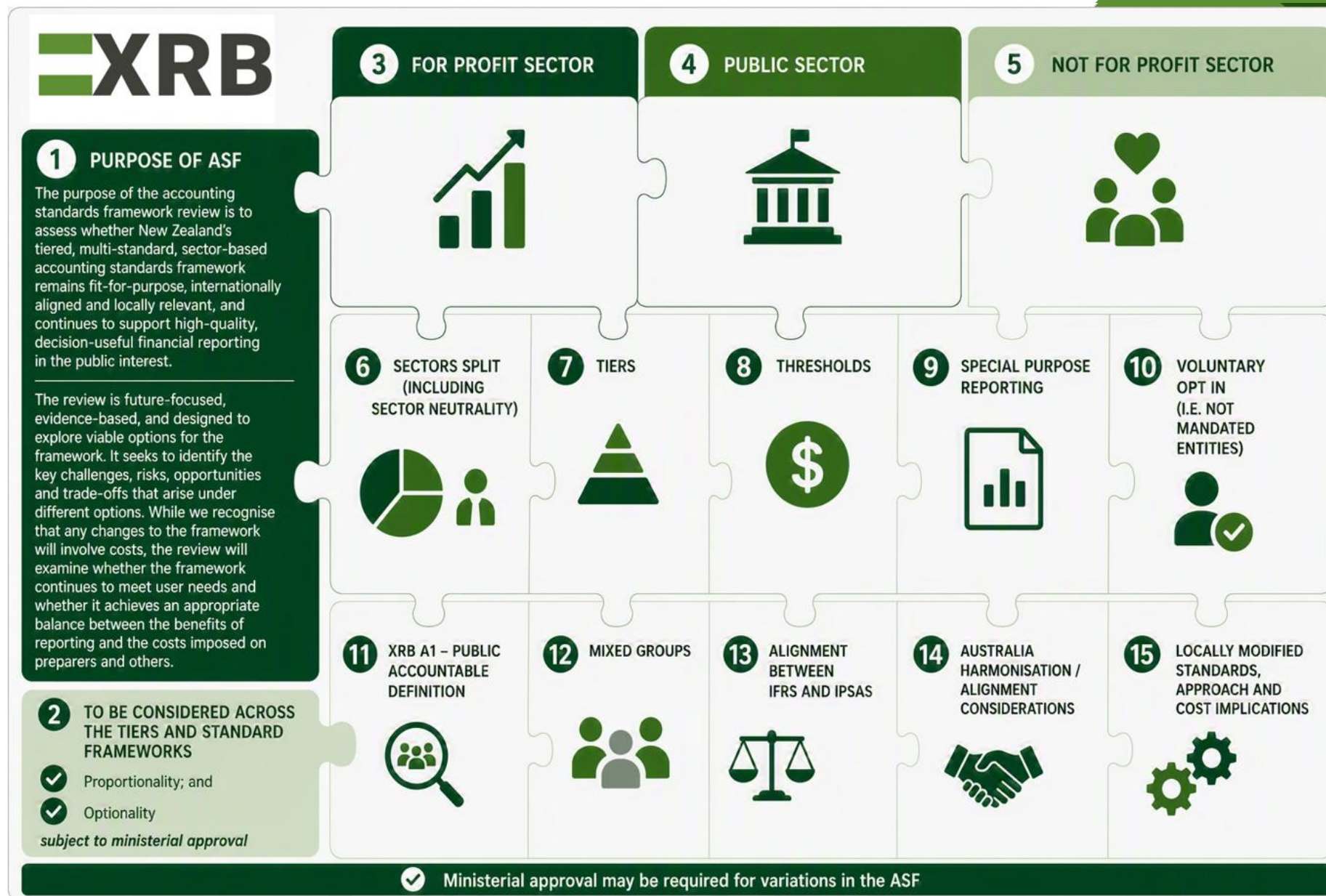


An entity identifies its sector and tier, then applies the applicable standards.

For-profit entities		Framework	PBE public sector and not-for-profit entities		Framework
Tier 1	Public accountability (as defined in XRB A1); or	NZ IFRS	Tier 1	Public accountability; or	PBE Standards
	Large public sector for-profit entity			Large PBE with Total expenses > \$33 million	
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*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).

ASF review – elements we will consider and analyse



A centralised webpage to support the detailed analysis

We have created a centralised webpage where stakeholders can follow the project and access the support behind what was considered and discussed. As we work through the elements on the previous slide the website will be updated to carry active and linked content. Under each active key element stakeholders will find:

Summary video	Summary slides	Detailed analysis paper	Minutes
A short video that summarises the key points of the paper.	The summary slides used in the video.	The detailed analysis paper for the element, as shared with the NZASB.	The minutes of the NZASB discussion on the element.

Stakeholder survey – *Additionally*, for each key element we are also including a survey to gather stakeholders’ initial thoughts on the analysis being discussed, along with any other relevant queries. These responses will help shape and support our thinking as we develop the discussion paper.

Website link: [2027 Review of the Accounting Standards Framework](#)



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2027 Review of the Accounting Standards Framework

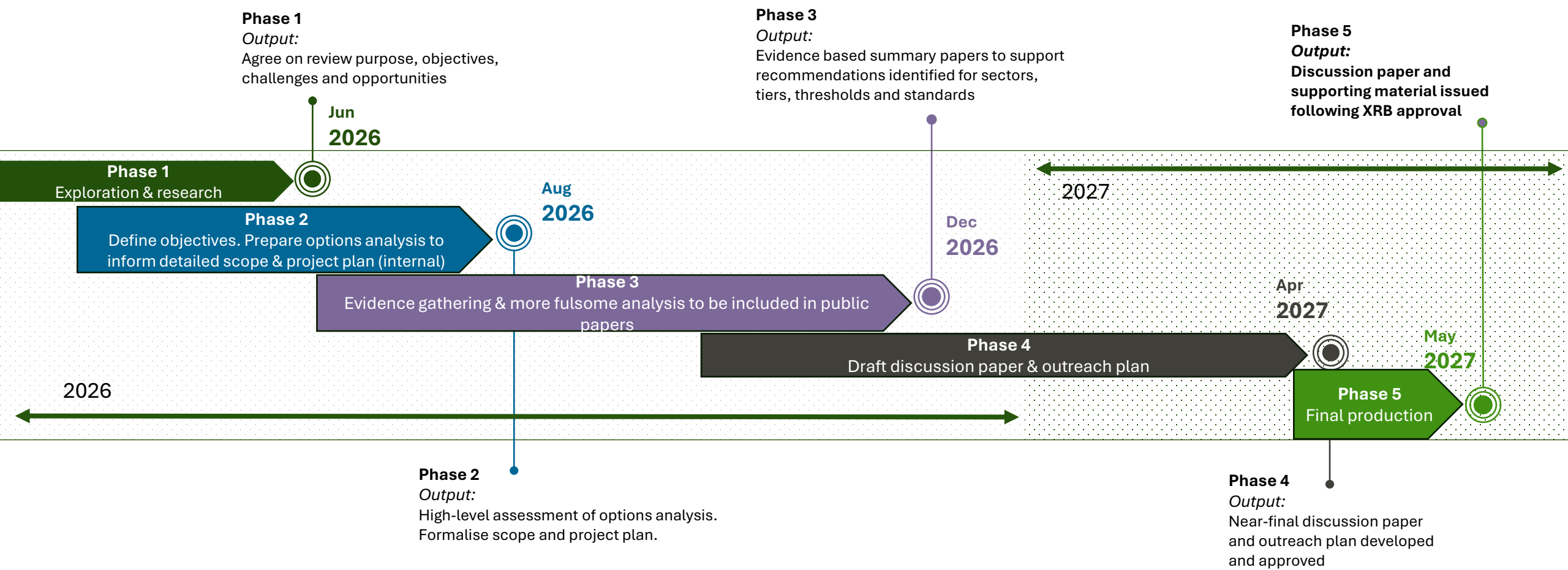
2027 Review of the Accounting Standards Framework

We are reviewing the Accounting Standards Framework to determine whether it remains fit for purpose



The XRB is currently in the process of reviewing the [Accounting Standards Framework](#) (ASF), which set out *what* and *how* entities must report. We need your input as we work through this process, from giving real-time feedback into our considerations along the way, through to your thoughts on the discussion paper, once it is released in May 2027.

Timeline and phases of the ASF review



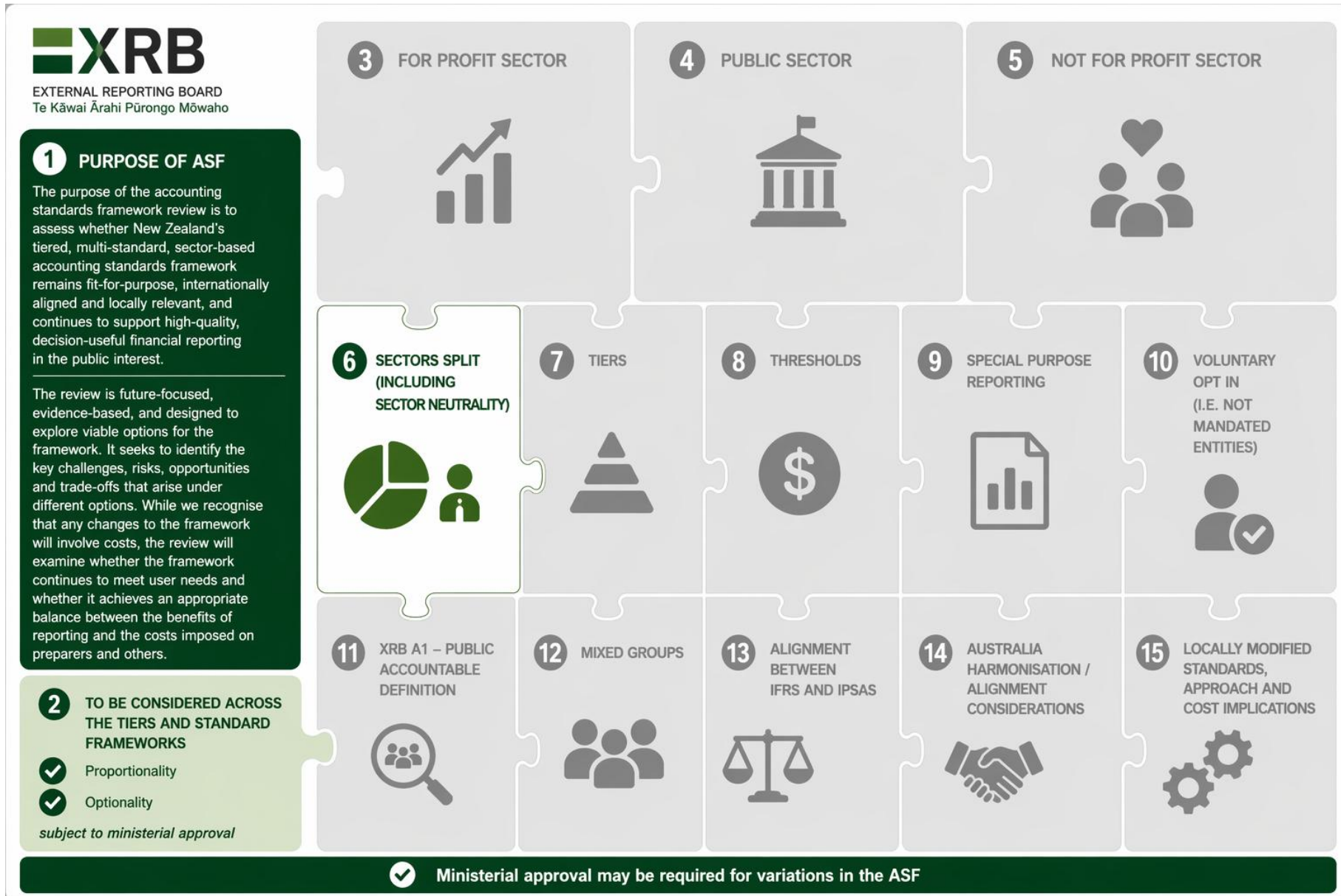
Sectors

Detailed sector analysis papers, video and survey are published on our website:

[2027 Review of the Accounting Standards Framework](#)

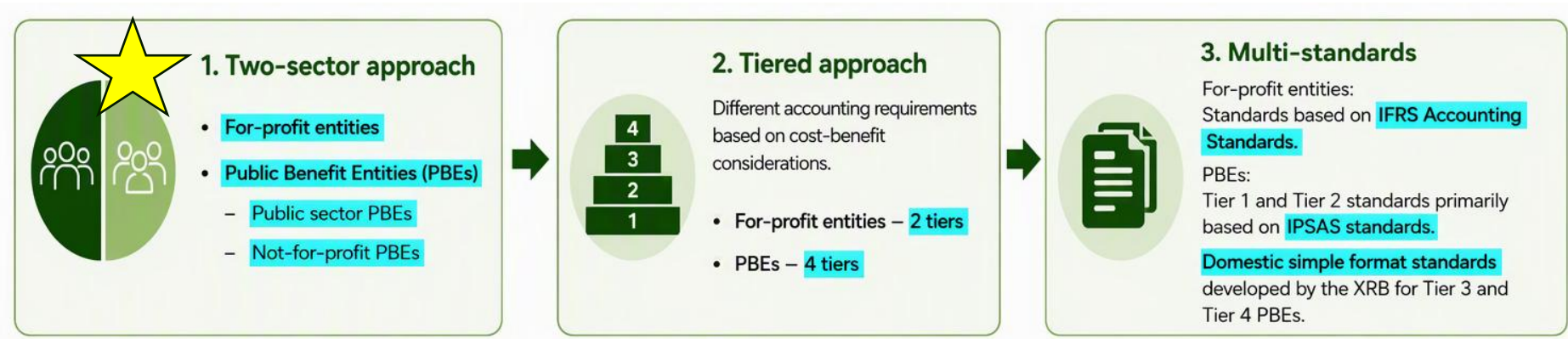


Sectors



Accounting Standards Framework (ASF)

XRB levers



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

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International capital – sector comparison

~\$200bn

Net international investment liability position

\$16.3bn (3.7% of GDP)

Current account deficit for the year ended December 2025

International capital funds domestic activity

New Zealand is a net borrower.

Investor confidence matters

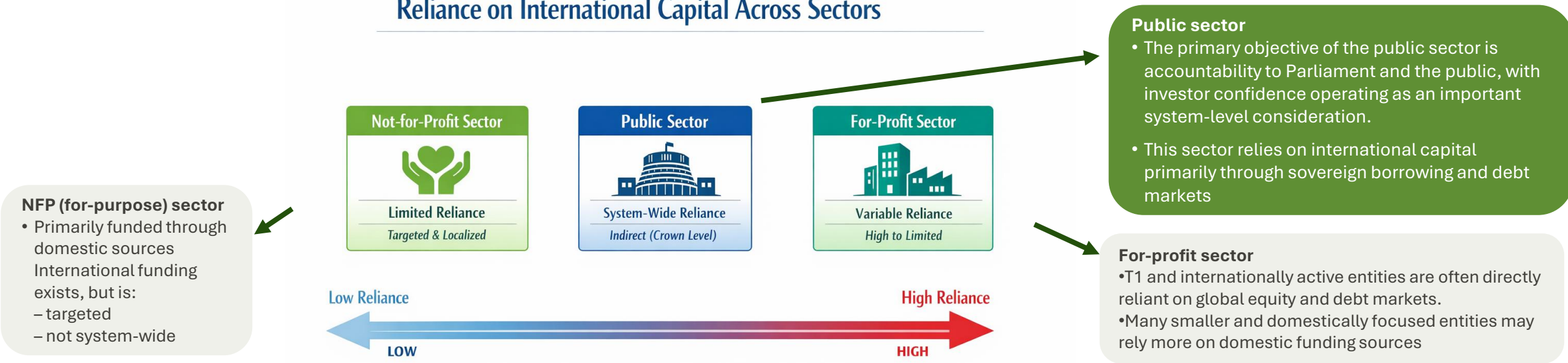
Fiscal discipline, debt levels, reporting transparency and quality, and economic resilience may influence confidence.

Financial reporting supports capital access

It forms part of the economic infrastructure.

Reliance on international capital is system-wide, but its significance varies by sector.

Reliance on International Capital Across Sectors



This raises the question of whether the current sector framework appropriately reflects the differing user needs, and New Zealand’s broader reliance on global capital markets.

The current sectors – and how you get there

Two sectors, one classification test – and judgement where an entity's objectives are unclear or mixed.

01

Two sectors

Public benefit entity (PBE)

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

For-profit entity

Any reporting entity that is not a PBE (XRB A1, para 6).

02

How you get there

Classification follows the entity's primary objective – substance over form.

The assessment is made at the reporting entity level, which may differ from the group.

Indicators: stated objectives, nature and beneficiaries of the benefits, equity interest, use of assets, and funding.

03

Where judgement comes in

Judgement is needed where objectives are unclear or mixed.

Where indicators conflict, they are assessed collectively, focusing on the overall substance of purpose.

Classification can change if objectives change – triggering reassessment of tier and first-time adoption.



Public sector reporting needs

- **Different users and funding** - for-profit, public sector and not-for-profit entities do not have identical funding models or accountability relationships
- **Accountability to Parliament and the public** is central to public sector reporting needs
- **International confidence** – Sovereign borrowing also makes transparent, comparable reporting important to investors and lenders.

Sector model key challenges

Challenges identified through the sector model review reflect stakeholder feedback, staff experience and observed pressures in the reporting ecosystem. Not all of these challenges can be resolved by the ASF review.

01

Structural complexity

Multiple intersecting layers (sector, tier and standards base) determine reporting requirements, rather than a single coherent pathway.

02

Classification difficulties

Classification depends on judgemental assessments of an entity's primary objective and substance, which can be unclear or mixed.

03

Mixed groups

Entities in one group may fall into different sectors, requiring multiple frameworks in a single set of financial statements.

04

Consequences of misalignment

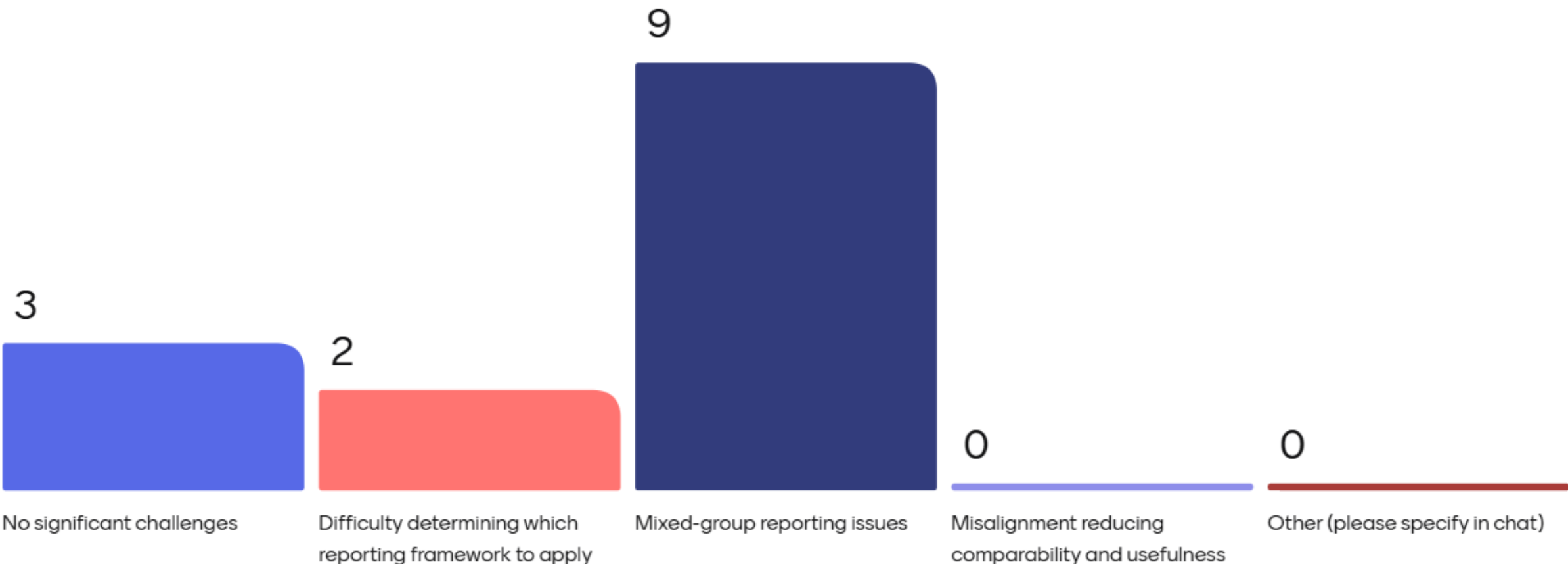
Similar entities may be classified differently, reducing comparability and the usefulness of financial reporting.

Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.

Polling question – menti.com



In your view, what are the biggest practical challenge with the current sector model? (select one)



Exploring alternative sector models for NZ

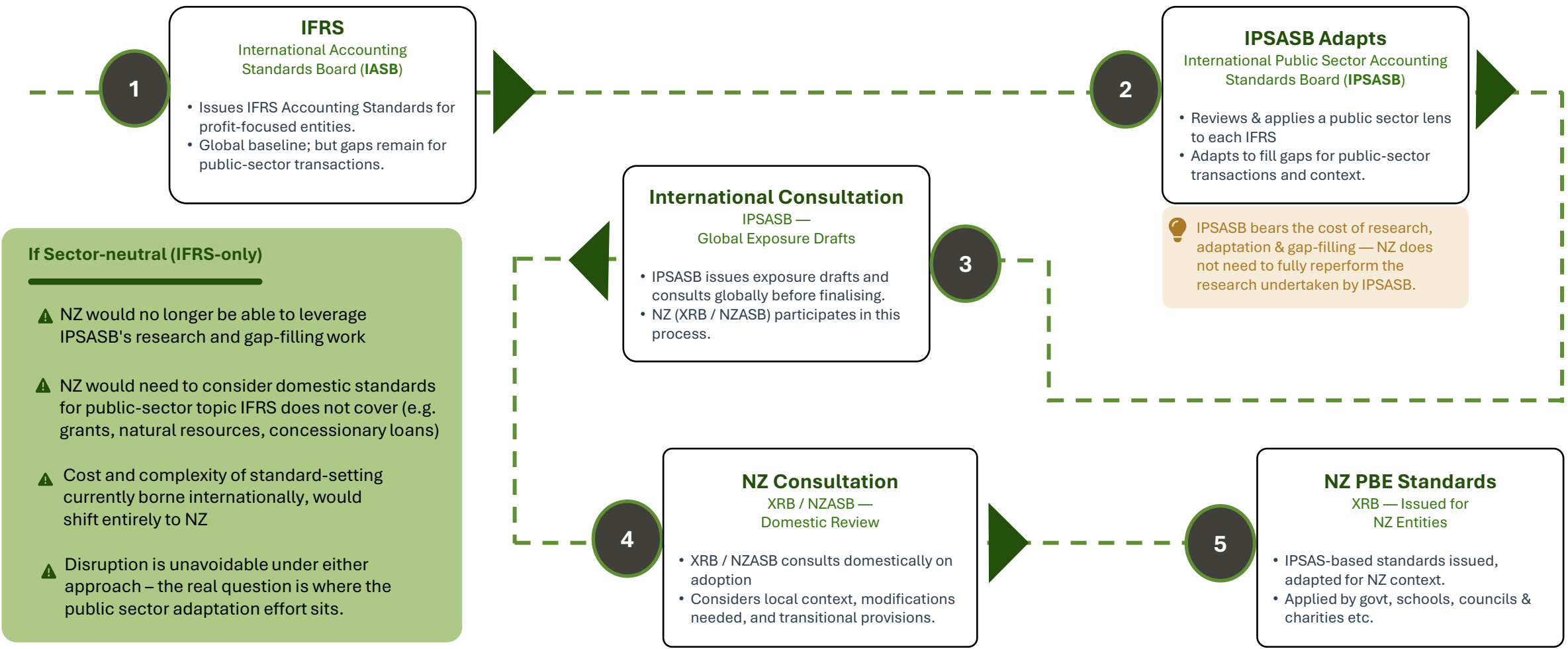
Four feasible sector model options, each assessed for pros, cons and NZ implications.

OPTION 1		OPTION 1 Two sectors For-profit and PBE	Retains the existing distinction between for-profit entities and public benefit entities (PBEs) as the basis for the framework.
OPTION 2		OPTION 2 Sector-neutral Common framework	Aligns principles and requirements across all sectors through a single, sector-neutral framework.
OPTION 3		OPTION 3 Three sectors For-profit, public sector, for-purpose	Disaggregates PBEs to recognise for-purpose entities (currently NFP) as a distinct sector from the public sector.
OPTION 4		OPTION 4 Segmentation Nature, function or mandate	Segments entities by nature, function or mandate – e.g. central and local government, Māori entities, schools, health and construction.

Sector neutral consideration: 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.



Options analysis summary and feedback



Drawing on the detailed options analysis (refer to our [ASF webpage](#) for more info), the table below outlines the key drivers for each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements.

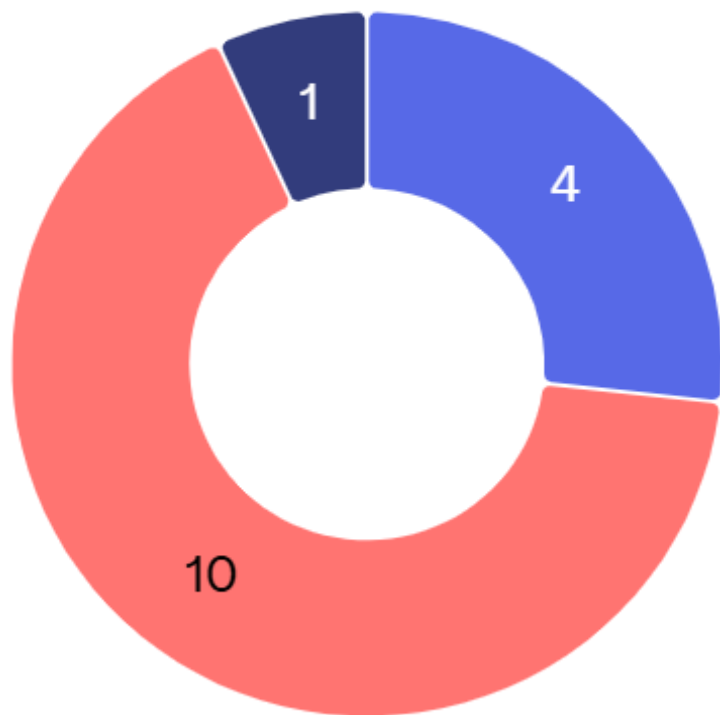
Sector Options	RAG rating	Key drivers of the assessment		
1. Two-sector – For-profit and PBEs	●	Maintains stability and sector relevance with low disruption	Entrenches existing complexity on boundary clarity	Limits system-wide efficiencies
2. Sector-neutral model	●	Strengthens comparability, framework simplicity and system-wide capability	Risks reduced relevance for public benefit reporting	Will introduce transition complexity
3. Three sectors – For-profit, public sector and for-purpose (NFP)	●	Improves conceptual alignment to policy design and relevance by distinguishing between public sector and for-purpose entities	Increases structural and classification complexity through additional sector boundaries	Introduces system fragmentation and duplication in standard-setting and capability
4. Segmentation approach	●	Maximises relevance through highly tailored, segment-specific reporting	Introduces significant structural complexity through multiple segments and boundary definitions	Reduces overall system coherence and efficiency due to fragmentation, duplication, and user navigation challenges

RAG rating:

- Strong fit / low concern
- Mixed fit / medium trade-off concerns
- Significant trade-off concerns

Polling question – menti.com

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



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

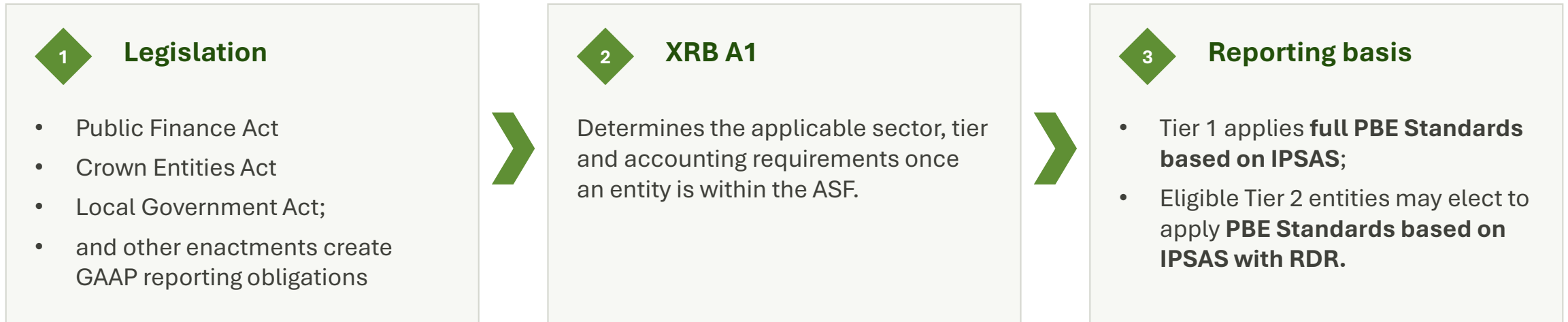
Tier 1 and Tier 2 Public Sector population explained



Legislative and regulatory environment



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



Tier 1 and Tier 2 public sector entities

Tier 1 public sector entities

A public sector entity that has *public accountability* as defined under XRB A1

OR

A 'large' PBE with total expenses > \$33 million

Characteristics

- Tier 1 public sector entities manage substantial public resources and deliver critical services on behalf of the public. Their activities expose a wide range of stakeholders to financial and service delivery risk.
- There is a strong expectation that these entities produce high-quality, transparent, and robust financial and service performance reporting.

Broader public sector accountability is wider than the technical XRB A1 definition of public accountability – this will be covered in more detail under tiers and thresholds.

Tier 2 public sector entities

A public sector entity that has no *public accountability*

AND

Has total expenses > \$5 million but ≤ \$33 million (not 'large' as per XRB A1); OR elects to apply Tier 2 PBE requirements

Characteristics

- Tier 2 public sector entities are subject to public sector accountability arrangements but operate at a scale and level of complexity that justifies proportionate public sector financial reporting requirements rather than a full Tier 1 framework.

Characteristics of the reporting population



The Tier 1 population is relatively small and appears to be driven mainly by size; the Tier 2 population is heavily influenced by schools.

Tier 1

189 total indicative public-sector entities.
Government reporting entity, departments, local authorities, some Crown entities and other large PBEs.
Technical public accountability appears to apply to only a very small number.

Tier 2

2,602 total indicative public sector entities.
Approximately 2,417 are schools, and of those, around 605 meet the size criteria of Tier 2 under XRB A1.
Tier 2 schools adjusted population: ~790 entities.

What matters for this review

Schools materially affect the composition of the Tier 2 population.
About 75% of the schools currently under Tier 2 are eligible for a lower tier. Many schools do not actually meet the size criteria for Tier 2 (i.e. have total expenses less than \$5 million) but report in Tier 2 due to [Ministry of Education requirements](#).
Please note: We are aware of the MOE currently considering changes to schools reporting.

User focus – public sector Tier 1 and 2 entities



Primary users

- Currently includes a very broad primary user base:
 - Service recipients (such as citizens) and their representatives; and
 - Resource providers (such as tax payers, lenders, donors and funders) and their representatives.

Other users

- Financial statements are not primarily directed at these parties currently (not exhaustive):
 - Government statisticians, analysts
 - Media, Public interest and lobby groups
 - Regulatory and oversight bodies
 - Rating agencies etc.



Nature of primary user needs

- Support assessments of the discharge of accountability and support decision making, such as:
 - Assess performance of the entity (meeting service delivery, managing resources, compliance)
 - Assess liquidity and solvency
 - Assess sustainability of service delivery and other operations over the long term
 - Assess capacity of the entity to adapt to changing circumstances



Implications for Tier 1 and 2 reporting

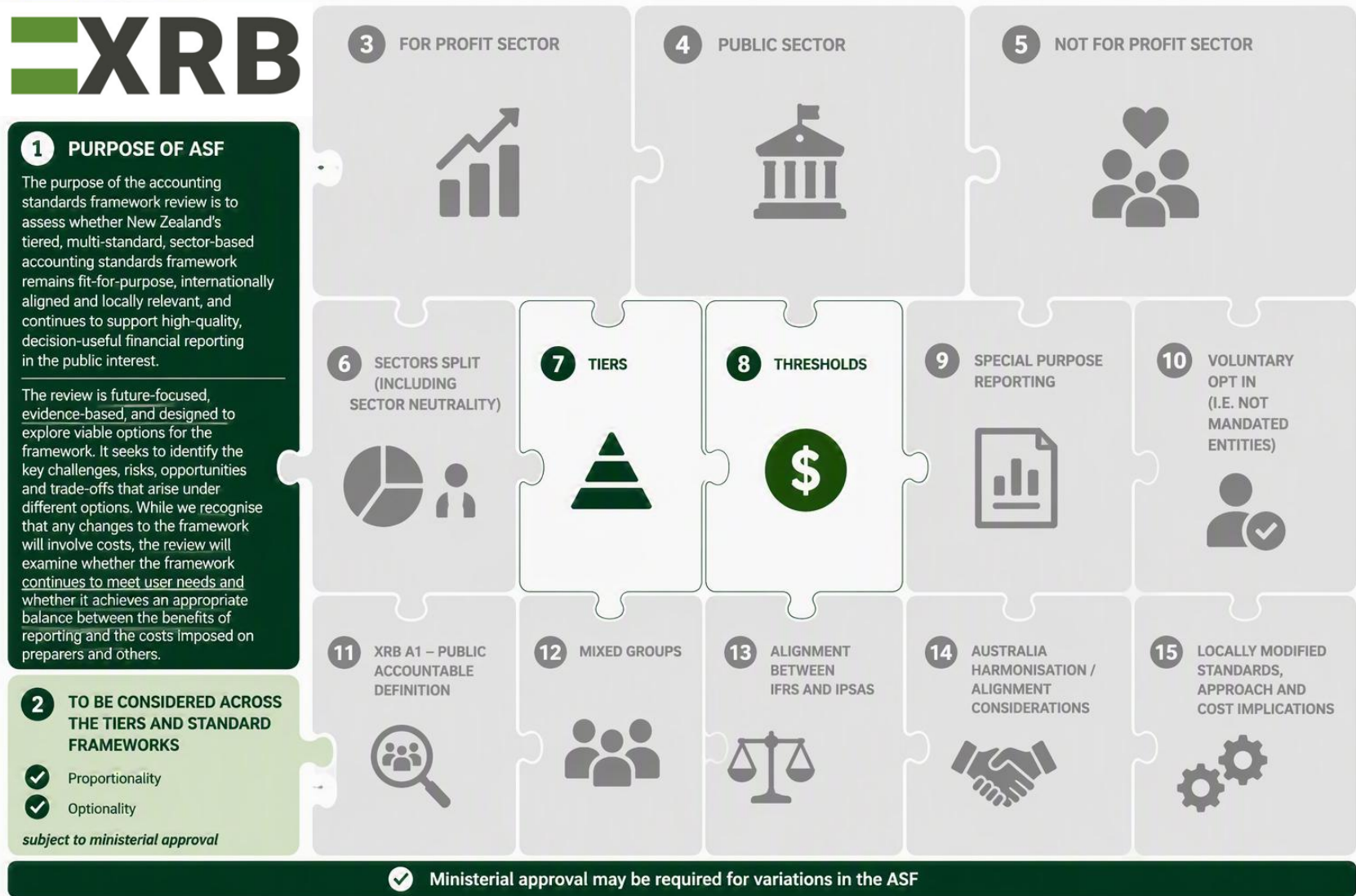
- Serves a broad and sometimes competing set of users and objectives
- Creates pressures; technically robust but understandable, comparable but relevant, transparent but material, decision useful across different audiences
- Accountability remains a central objective – focused on stewardship, service performance, long-term sustainability (rather than financial return)
- Financial reporting alone will not meet user needs

Tiers and thresholds



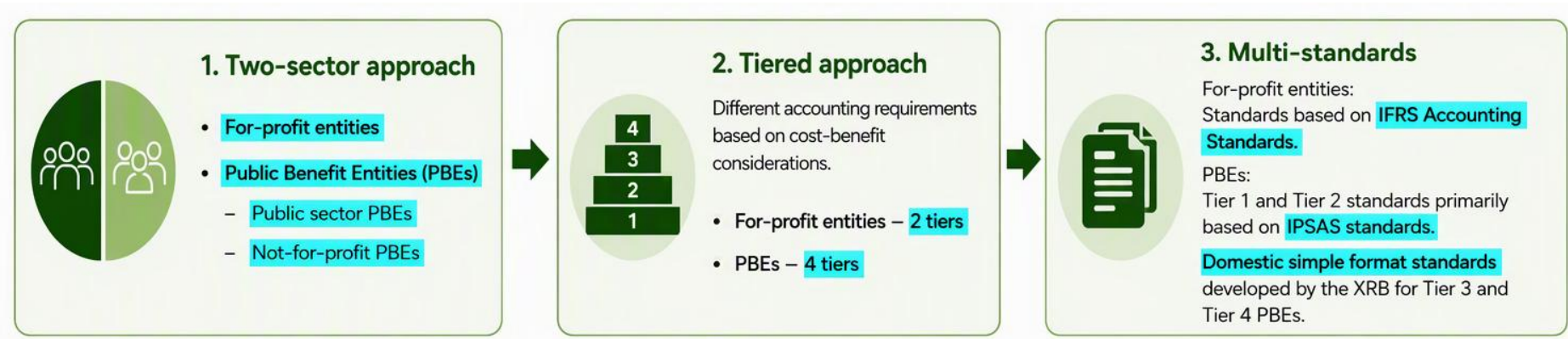
ASF Review – Where the Tiers and thresholds review fits in

The Tiers and Thresholds sits within the wider Accounting Standards Framework review – as elements 7 and 8.



Accounting Standards Framework (ASF)

XRB levers



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What separates Tier 1 and Tier 2 today?

TIER 1 | Full PBE Standards based on IPSAS

Public accountability under XRB A1

OR

Total expenses above \$33 million

Applies full recognition, measurement, presentation and disclosure requirements.



TIER 2 | PBE Standards based on IPSAS with RDR

No public accountability

AND

Total expenses above \$5 million and up to \$33 million, or elects to apply Tier 2

Uses the same recognition and measurement requirements as Tier 1, but with reduced disclosures.

Rationale for tiers - delivering proportionality within sectors

- Entities differ in size, accountability and circumstances, with differences varying by sector.
- Tiers and thresholds tailor reporting requirements to these differences, balancing users' information needs with reporting costs.

The core design question - does this tier and threshold setting remain fit-for-purpose to provide a meaningful and proportionate distinction between Tier 1 and Tier 2 public sector entities?

1

Is the distinction between Tier 1 and Tier 2 public sector entities meaningful?

2

What should the size threshold measure to indicate significance?

Note that consideration of **threshold value settings** is expected to follow once views have been developed on the broader design of the framework, including sectors, tier structures and threshold models.

1. Is the distinction between Tier 1 and Tier 2 public sector entities meaningful?



A meaningful distinction gives users the information they need while making reporting effort proportionate to entity circumstances.

Does it reflect different user needs?

Do differences in entity circumstances justify different information requirements for Tier 1 and Tier 2 public sector entities?

Does it provide worthwhile relief?

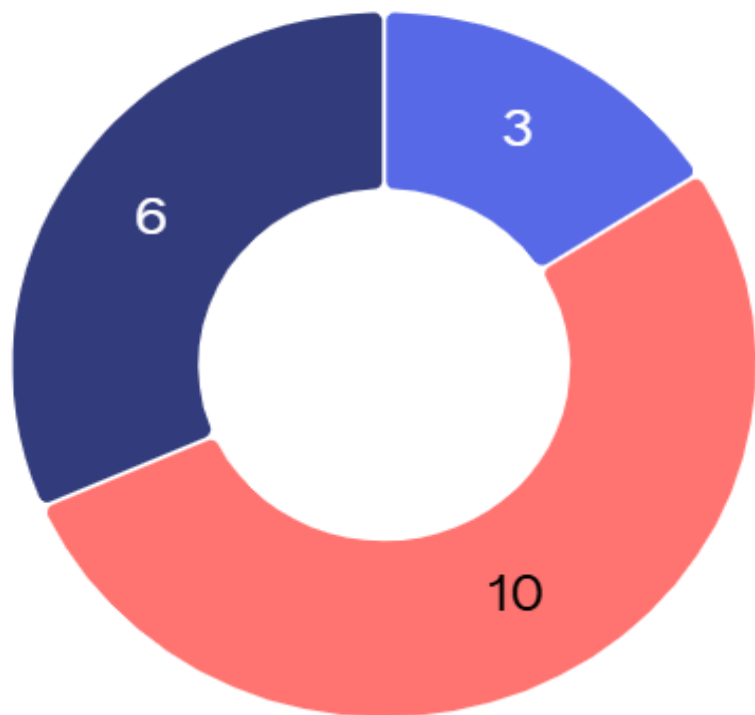
Does Tier 2 meaningfully reduce reporting effort and cost while retaining information users need?

Today, Tier 2 uses the same recognition and measurement requirements as Tier 1, with reduced disclosures.

If separate requirements are justified, is reduced disclosure enough, or should Tier 2 also simplify when and how transactions are recorded and valued?

Polling question – menti.com

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
- 10 Keep separate tiers - current RDR approach
- 6 Keep separate tiers - add simplified recognition and measurement for Tier 2
- 0 Another approach (please specify in chat)
- 0 Unsure

2. What should the size threshold measure?

Expenses (the current principal indicator): operational activity

- ⊕ Simple, relatively stable and linked to operational activity and users' interest in public spending. Originally chosen as a more relevant and reliable PBE indicator than revenue, given funding variability.
- ⊖ May not capture entities controlling significant assets or wider stewardship obligations. Higher spending does not necessarily mean greater complexity.

Assets: resources controlled

- ⊕ Captures resources controlled and asset-intensive entities.
- ⊖ Valuation bases and movements can add complexity and volatility.

Revenue: funding scale

- ⊕ Reflects funding scale and may align with some legislative thresholds.
- ⊖ Funding can fluctuate and is less directly linked to accountability for public spending.

Use a combination of indicators - a separate design choice

- ⊕ Combining indicators captures operational scale or funding alongside stewardship.
- ⊖ May create ASF complexity and adds assessments and compliance costs.

OR: an entity exceeds either threshold.

AND: an entity must exceed both. ⊖ May exclude entities significant on only one measure.

Indicator threshold options

Approach to threshold indicators, models and settings:

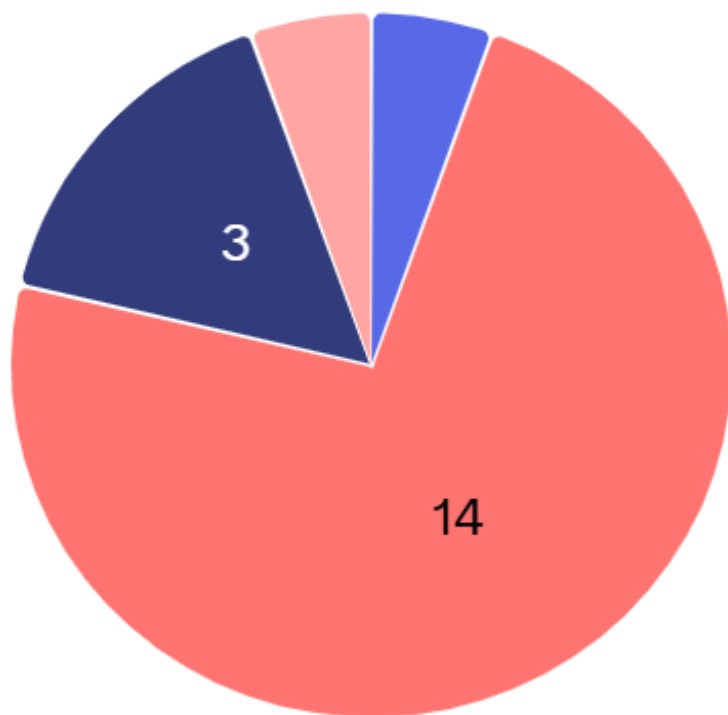
- A range of threshold indicators and models were considered. To focus the analysis, staff have identified four threshold approaches for further exploration based on their ability to support proportionality, practical application and the characteristics of the PBE sector.
- The summary assessment of each threshold approach and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements and are open to challenge.

1. Expenses only	2. Expenses OR assets	3. Expenses AND assets	4. Revenue OR assets
Retains simplicity. Positioned to respond to inflation concerns, and number of entities required to apply T2. Overall balance: Retains simplicity, continuity and ease of application, using expenses as the sole measure of proportionality. However, it may miss entities controlling significant public or community resources despite low expenditure.	Addresses concern that some PBEs can hold significant assets and report in lower tiers. Overall balance: Recognises either operational scale or stewardship responsibilities, potentially improving proportionality. However, it adds complexity and may capture entities based on a single characteristic.	Addresses concerns that some PBEs find the reporting requirements disproportionate. Overall balance: Considers both operational activity and stewardship responsibilities to balance proportionality. However, it adds complexity and compliance costs, and may miss significant entities that exceed only one threshold.	Provides consistency with other legislative thresholds Overall balance: Reflects funding scale and stewardship responsibilities, potentially improving alignment with legislation. However, it is less directly linked to operational activity and may add complexity and compliance costs.
RAG rating: ●	RAG rating: ●	RAG rating: ●	RAG rating: ●

Note: These approaches focus on threshold design rather than threshold values. The consideration of **threshold value settings** is expected to follow once views have been developed on the broader design of the framework, including sectors, tier structures and threshold models.

- Strong fit / low concern
- Mixed fit / medium trade-off concerns
- Significant trade-off concerns

Which indicator threshold option would you most support? (select one)



1	Expenses only
14	Expenses OR assets
3	Expenses AND assets
0	Revenue OR assets
0	Another (please specify in chat)
1	Unsure

Tier 1 and Tier 2 public sector framework options analysis

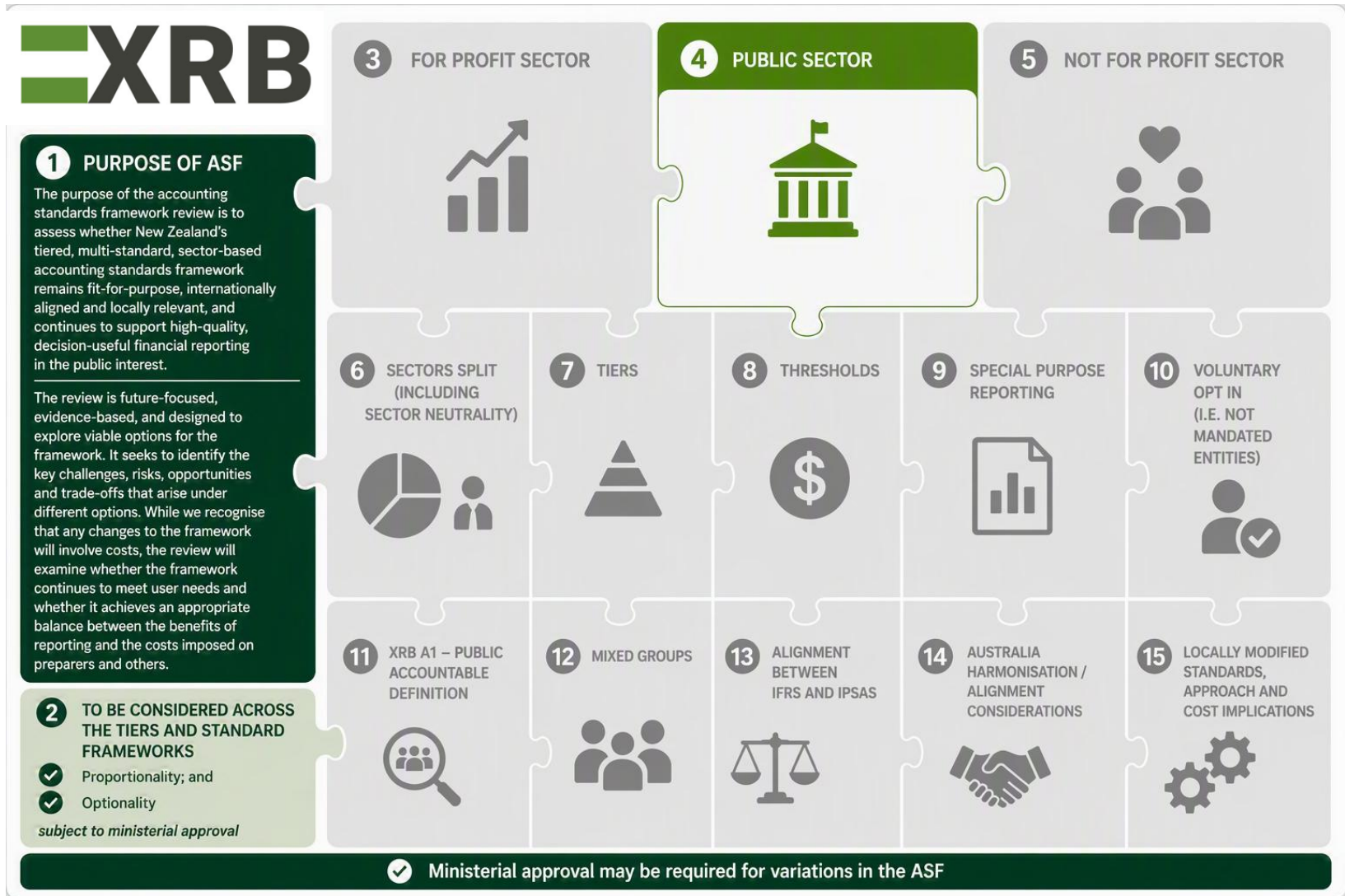
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[2027 Review of the Accounting Standards Framework](#)



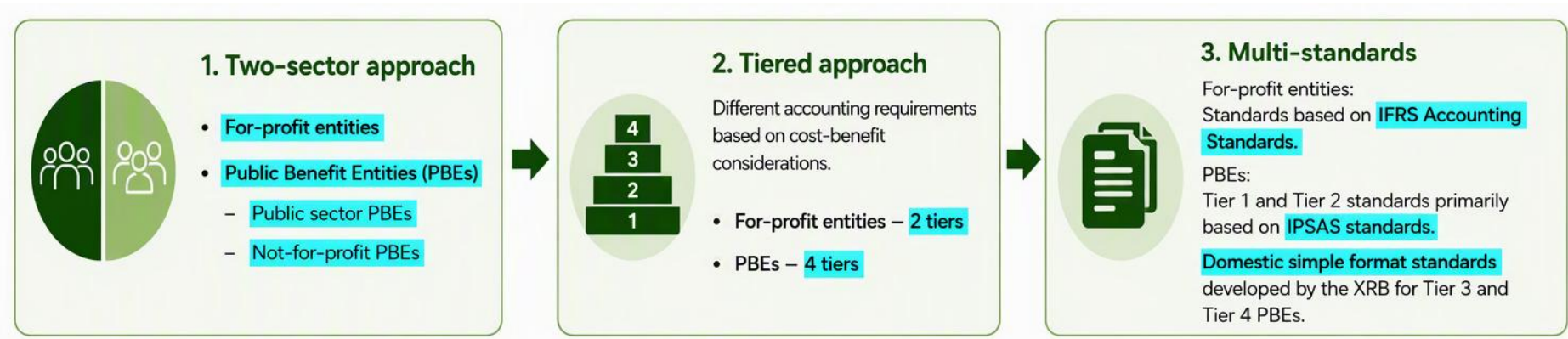
ASF Review – Where the public sector review fits in

The public sector sits within the wider Accounting Standards Framework review – as element 4.



Accounting Standards Framework (ASF)

XRB levers



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	NZ IFRS
	Large public sector for-profit entity	
Tier 2	Total expenses > \$33 million	NZ IFRS RDR
	No public accountability	
Tier 3	For-profit public sector entity with Total expenses ≤ \$33 million	Tier 3 Standard
	No public accountability	
Tier 4	Total expenses ≤ \$5 million	Tier 4 Standard
	No public accountability	

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).

International practice, alignment and comparability

There is no single international model for public sector financial reporting and ‘international alignment’ can mean different things.

53 jurisdictions*

Reporting on a **full accrual** basis in 2024.

35 jurisdictions*

Used IPSAS directly, **with modifications**, or as a reference point for their national public sector standards.

3 jurisdictions*

Used national standards based on IFRS Accounting Standards.

Selected comparators



Current primarily IPSAS-based PBE framework



IFRS-based with public sector adaptations



Domestic PSAS; IPSAS principles considered in developing future standards



Separate domestic public-sector standards (non-IFRS / non-IPSAS)



IFRS adapted and interpreted for central government



National Government Accounting Standards; internationally informed domestic framework

How to interpret alignment

IPSAS alignment may support international public-sector comparability; Australian alignment may support trans-Tasman comparability and ecosystem benefits; IFRS familiarity may matter to some international users. None of these considerations determines the appropriate framework on its own.

**International Public Sector Financial Accountability Index 2025; central/federal government level. Figures illustrate international prevalence and do not indicate a preferred framework for New Zealand.*

Tier 1 and Tier 2 public sector key challenges



As part of the review of the public sector reporting standards framework, staff identified several challenges in the sector, drawing on stakeholder feedback, staff experience and observed pressures in the reporting ecosystem. Not all of these challenges can be resolved by the ASF review – some arise from factors outside our control.

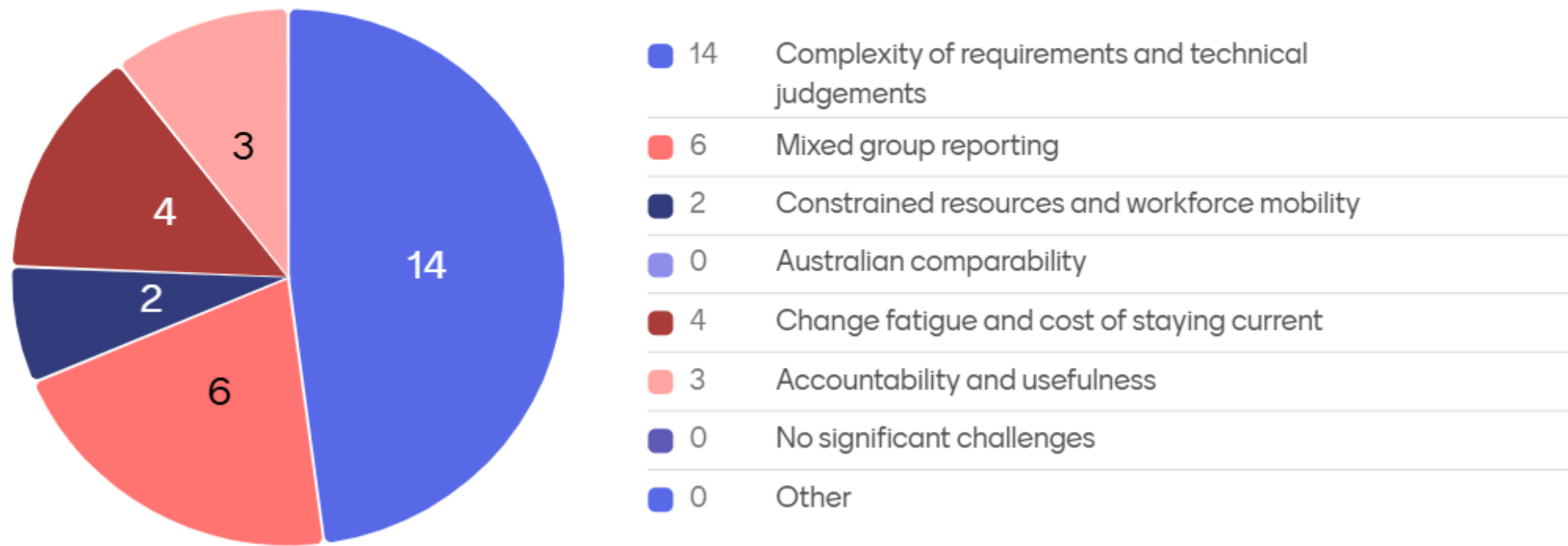


The question is whether the review can reduce unnecessary burden and create a better balance. Being aware of these challenges helps us target where the framework can realistically make a difference, and to be transparent about what sits beyond its reach.

Polling question – menti.com

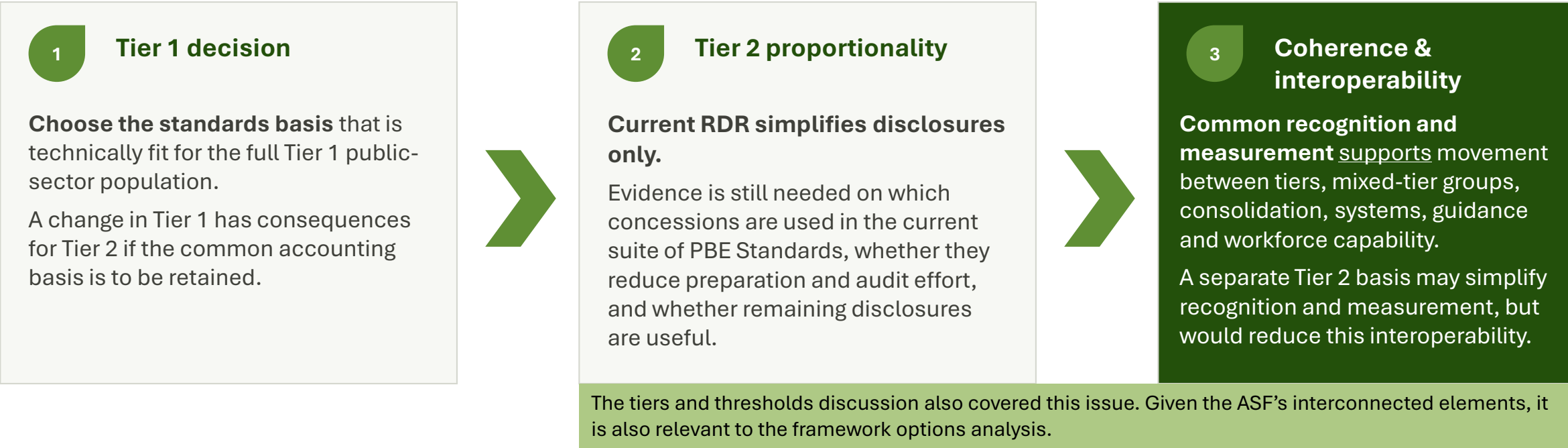


In your view, what are the biggest practical challenges with the current Tier 1 and Tier 2 public sector framework? (Select up to two).



Framework coherence considerations

Tier 2 proportionality cannot be assessed in isolation from Tier 1 because the current framework shares recognition and measurement requirements.



Optionality - *Due to importance of consistency and accountability in government reporting, optionality is not supported due to there becoming increased consolidation challenges and reduced overall comparability across government reporting.*

Central and local government may experience Tier 2 proportionality differently

Central-government entities may still need information for Treasury consolidation even where GPFR disclosures are reduced; local government is not consolidated into the Government reporting entity, so RDR may more directly affect GPFR preparation and audit effort.

Tier 1 public sector reporting framework options considered

Tier 1 determines which standards basis should underpin full public-sector reporting.

Tier 1 public sector framework options



A.

**PBE Standards based on
IPSAS**

*Current framework and
baseline.*



B.

IFRS Accounting Standards

*International
alternative, designed
primarily for for-profit
reporting.*



C.

Locally Modified Standards

*International jurisdiction's
framework taken as a base –
modified for New Zealand
circumstances.*



D

**Australian-adapted IFRS
framework
(PS)**

*IFRS-based approach
with public-sector
adaptations.*

The Government Finance Statistics Manual 2014 (GFSM)

GFSM is a macroeconomic statistical framework designed to support fiscal analysis. It was considered but has not been included as an alternative general purpose financial reporting framework for Tier 1 public sector entities.

Tier 1 public sector framework option analysis criteria

Each alternative framework was assessed against several key criteria.

Process followed

- 1

Staff prepared the options analysis of the alternative frameworks that was considered viable to this tier.
- 2

Each viable option is evaluated by considering its benefits and trade-offs and assessing it against a set of key criteria.
- 3

The internal XRB additional cost and capacity to create new standards and lead time to create a coherent suite, is not captured as a separate criteria, but is a key item to consider internally.

Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	Local relevance	International alignment	Ongoing costs	Ecosystem	Transition costs
This means:	Technical fitness; coherent suite capable of <i>faithfully representing public sector transactions and accountability relationships</i> developed with user needs in mind (preparers and user focus) – <i>focused on benefits</i>	Recognition, measurement and disclosure simplification options (addressing preparer complexity while maintaining decision useful information)	Ability to reflect NZ economic and user needs, including through local modifications and international standard-setting influence (<i>importance may vary across tiers and entity types</i>) – <i>focused on benefits</i>	Internationally aligned, recognised and comparable - including Australia (<i>importance may vary across tiers and entity types</i>) – <i>focused on benefits</i>	Ongoing costs of applying and maintaining the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)	Availability of skills, guidance, systems, audit capability and training to support implementation and ongoing application	Cost of change (transition costs for preparer, auditors, regulators and wider ecosystem)

Tier 1 public sector entities – summary assessment across key criteria

The summary assessment of each framework option against the key criteria and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. This assessment is preliminary and is presented to prompt discussion — the ratings are staff judgements and are open to challenge.

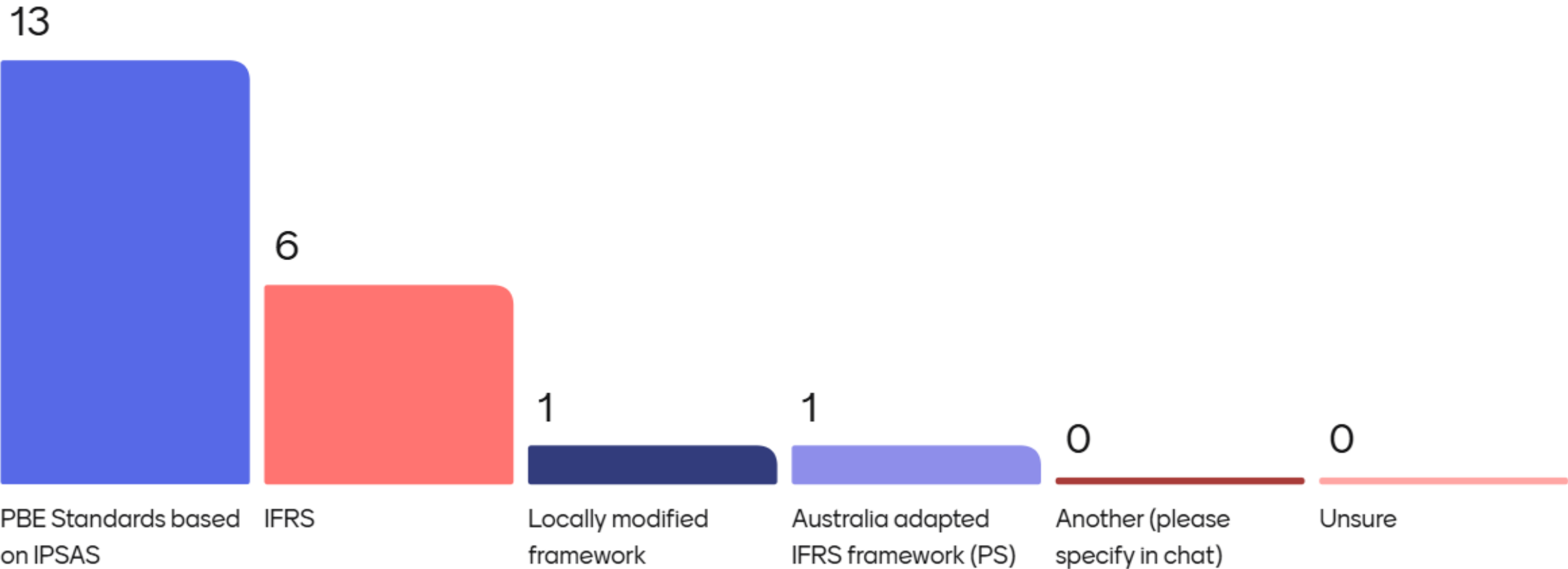
Tier 1 Option	Technical fitness	Simplification	Local relevance	International alignment	Ongoing costs	Ecosystem	Transition costs
A. PBE standards based on IPSAS	●	●	●	●	●	●	●
B. IFRS	●	●	●	●	●	●	●
C. Locally modified standards	●	●	●	●	●	●	●
D. Australian-adapted IFRS framework (PS)	●	●	●	●	●	●	●

Tier 1 Option	Key drivers of the assessment		
A. PBE Standards based on IPSAS	1. Public sector focused framework	2. Ability to make changes to ensure it is fit-for-purpose	3. Internationally credible
B. IFRS	1. Designed for for-profit entities, used for PS in only 3 jurisdictions	2. Closer alignment with Aus	3. Licensing agreements considerations
C. Locally modified standards	1. Simplification possible	2. Loss of international credibility	3. High transition and maintenance costs
D. Australian-adapted IFRS framework (PS)	1. Aligned with Australia	2. Australian public sector adaptations	3. Licensing agreements considerations

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns

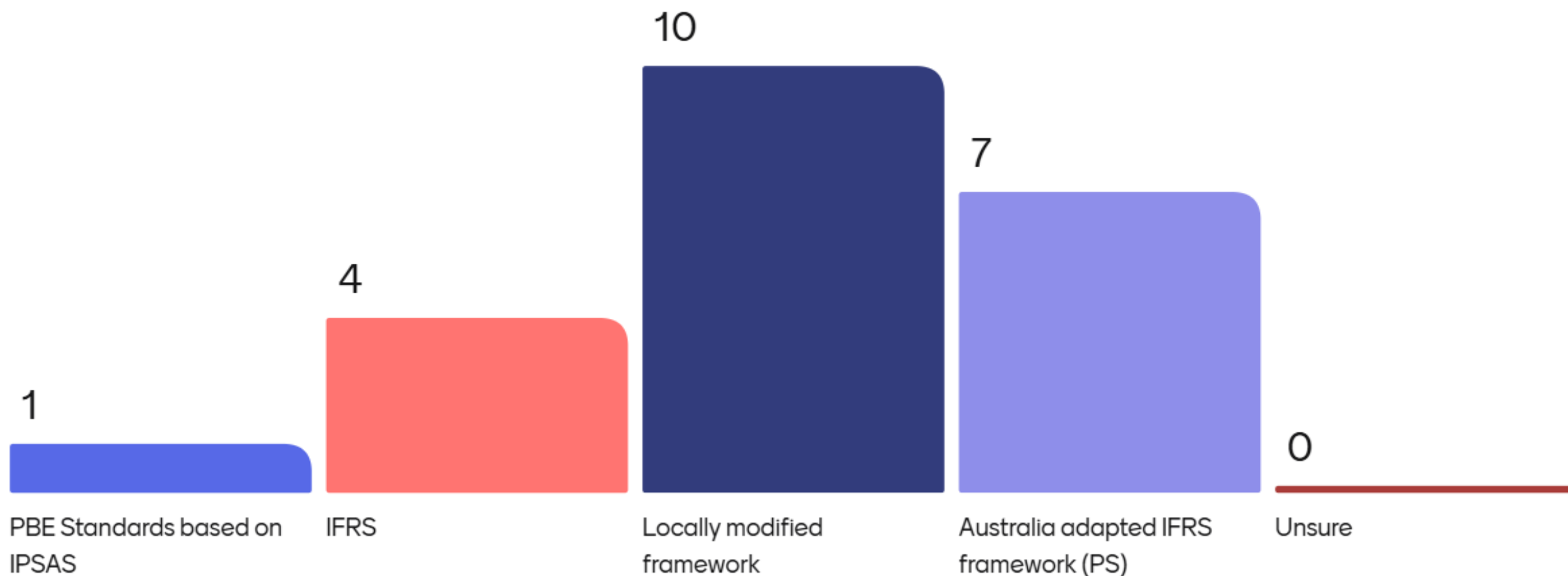


For Tier 1 public sector entities, which framework/s would you support? (select two)



Polling question – menti.com

For Tier 1 public sector entities, which framework would you NOT support? (select one)



Tier 2 public sector reporting framework options considered

Tier 2 determines how proportionality should be delivered.

Tier 2 public sector framework options



A.

PBE Standards based on IPSAS with RDR

Current common recognition and measurement basis with reduced disclosures.



B.

IFRS Accounting Standards with RDR

Full IFRS recognition and measurement with reduced disclosures.



C.

IFRS for SMEs

Separate simplified recognition, measurement and disclosure framework.



D.

Locally Modified Standards

International jurisdiction's framework taken as a base – modified for New Zealand circumstances.



E.

Australian-adapted IFRS framework (PS) with RDR

Australian-style PS basis IFRS based plus reduced disclosures.

The Government Finance Statistics Manual 2014 (GFSM)

GFSM is a macroeconomic statistical framework designed to support fiscal analysis. It was considered but has not been included as an alternative general purpose financial reporting framework for Tier 2 public sector entities.

Tier 2 public sector framework option analysis criteria

Process followed – consistent to that applied under Tier 1

Framework-level key criteria used to evaluate each option

Key criteria	Technical fitness	Simplification	Local relevance	International alignment	Ongoing costs	Move between tiers	Ecosystem	Transition costs
This means:	Technical fitness; coherent suite capable of <i>faithfully representing public sector transactions and accountability relationships</i> , developed with user needs in mind (preparers and user focus) – <i>focused on benefits</i>	Recognition, measurement and disclosure simplification options (addressing preparer complexity while maintaining decision useful information)	Ability to reflect NZ economic and user needs, including through local modifications and international standard-setting influence (<i>importance may vary across tiers and entity types</i>) – <i>focused on benefits</i>	Internationally aligned, recognised and comparable - including Australia (<i>importance may vary across tiers and entity types</i>) – <i>focused on benefits</i>	Ongoing costs of applying and maintaining the standards (i.e. how often are changes expected), including AI-related costs (preparer focus)	Interoperability with Tier 1 (accounting requirements and workforce capability) ★	Availability of skills, guidance, systems, audit capability and training to support implementation and ongoing application	Cost of change (transition costs for preparer, 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 workforce)

Tier 2 public sector entities – summary assessment across key criteria

The summary assessment of each framework option against the key criteria and red-amber-green (RAG) analysis is included below to highlight the key drivers of each option. **This assessment is preliminary and is presented to prompt discussion** — the ratings are staff judgements and are open to challenge.

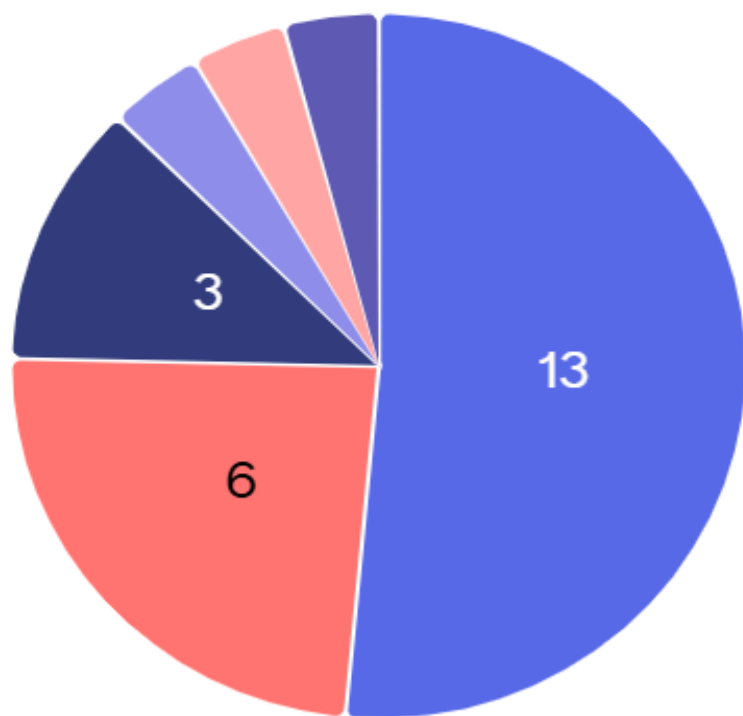
Tier 2 Option	Technical fitness	Simplification	Local relevance	International alignment	Ongoing costs	Move between tiers	Ecosystem	Transition costs
A. PBE Standards based on IPSAS with RDR	●	●	●	●	●	●	●	●
B. IFRS with RDR	●	●	●	●	●	●	●	●
C. IFRS for SMEs	●	●	●	●	●	●	●	●
D. Locally modified standards	●	●	●	●	●	●	●	●
E. Australian-adapted IFRS framework (PS) with RDR	●	●	●	●	●	●	●	●

Tier 2 Option	Key drivers of the assessment		
A. PBE Standards based on IPSAS with RDR	1. Public sector focused framework	2. Ability to make changes to ensure it is fit-for-purpose	3. Is internationally credible
B. IFRS with RDR	1. Designed for for-profit entities (used for PS reporting in 3 jurisdictions)	2. Closer alignment with Aus	3. Licensing agreements considerations
C. IFRS for SMEs	1. Designed for for-profit entities	2. Simplified recognition and measurement	3. Disruption to the current financial reporting ecosystem
D. Locally modified standards	1. Simplification is possible	2. Loss of international credibility	3. High transition and maintenance costs
E. Australian-adapted IFRS framework (PS) with RDR	1. Aligned with Australia	2. Australian public sector adaptations	3. Licensing agreements considerations

- Strong fit / low concern
- Mixed fit / trade-off concerns
- Significant trade-off concerns



For Tier 2 public sector entities, which framework/s would you support? (select two)



- 13 PBE Standards based on IPSAS with RDR
- 6 IFRS with RDR
- 3 IFRS for SMEs
- 1 Locally modified standards
- 0 Australian-adapted IFRS framework (PS) with RDR
- 1 Another (please specify in chat)
- 1 Unsure

Closing



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



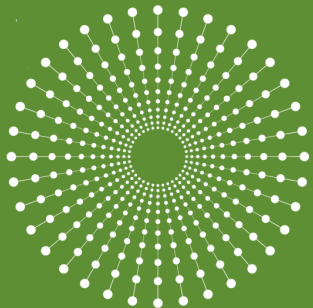
4 Maintaining stability



10 Making targeted improvements

0 Undertaking significant reform

0 Unsure



For more information, refer to our dedicated ASF review [webpage](#).

Have your say

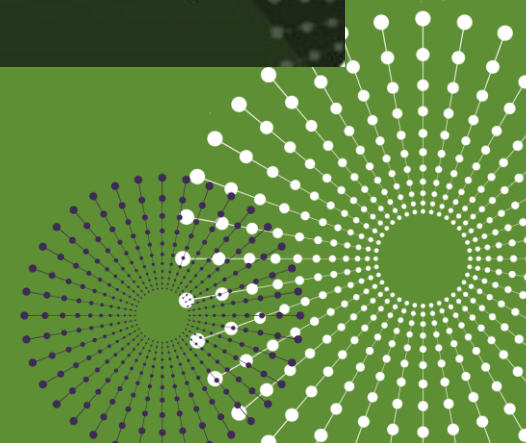
Scan the QR code to provide feedback on this topic and help inform the development of the Discussion Paper.



We welcome your feedback as we develop our thinking on the future of New Zealand's Accounting Standards Framework.

This need-to-know session outlined some of the key issues and considerations we are currently exploring. We are keen to hear whether our analysis is complete, whether there are other challenges or opportunities we should consider, and whether there are perspectives we may have overlooked.

You can provide feedback at any stage by scanning the relevant QR code and completing the short surveys for sectors and Tier 1 and Tier 2 public sector reporting framework review. Your input will help inform the development of the Discussion Paper.





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Thank you
Mā te wā