

12 August 2026

Mr Ross Smith
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International Public Sector Accounting Standards Board
International Federation of Accountants
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Submitted to: www.ifac.org

Dear Ross

Consultation Paper, *Presentation of Financial Statements*

Thank you for the opportunity to comment on the Consultation Paper, *Presentation of Financial Statements* (the CP). The CP has been exposed for comment in New Zealand and some New Zealand constituents may comment directly to you. Our comments have been informed by consultation with accounting practitioners working for and with public sector entities.

We support updating IPSAS 1 *Presentation of Financial Statements* to reflect changes to the IPSASB Conceptual Framework and useful developments in presentation and disclosure requirements. In particular, we support the proposed enhancements relating to aggregation and disaggregation of information, and clarifications about the respective roles of the primary financial statements and notes.

However, in our view, the CP has not established a sufficiently strong basis for introducing categories and a required subtotal of operating surplus or deficit based on the requirements of IFRS 18 *Presentation and Disclosure in Financial Statements* into the statement of financial performance for public sector entities. While the CP notes diversity in current presentation practices, it does not clearly identify the nature or significance of any resulting concerns from primary users or preparers, nor does it explain why the anticipated benefits would exceed the expected implementation costs. In our view, further articulation of the rationale would be helpful before these proposals are progressed.

Our detailed comments are included in Appendix attached to this letter. If you have any queries or require clarification of any matters in this letter, please contact accounting@xrb.govt.nz.



Yours sincerely

Dr Carolyn Cordery
Chair, New Zealand Accounting Standards Board

Appendix

Response to consultation questions

Preliminary View 1—Chapter 1: Development of New Presentation Standard
The IPSASB's Preliminary View is that the development of a new IPSAS Standard to replace IPSAS 1, <i>Presentation of Financial Statements</i> should consider IFRS 18 <i>Presentation and Disclosure in Financial Statements</i>, with appropriate adaptations to reflect the objectives of financial reporting by public sector entities. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

1. In general, as noted in our comment letter on the IPSASB's 2025 Work Programme Consultation, we consider it important to have alignment between IPSAS Standards and IFRS Accounting Standards where transactions are the same or similar in the public and for-profit sectors.
 - (a) Such alignment is particularly important for jurisdictions such as New Zealand, where several large and complex "mixed group" entities operate across both the public and for-profit sectors and are required to prepare consolidated financial statements, while applying both IPSAS- and IFRS-based requirements across different entities within the group.
 - (b) Such alignment is also important in smaller jurisdictions like New Zealand, where the number of accountants is relatively limited and differences between accounting standards for the for-profit and public sector can impact the availability of accountants and auditors for public sector entities.
2. We agree that there is a need to update IPSAS 1, considering that it currently does not reflect certain changes to the IPSASB Conceptual Framework and international developments relating to IFRS Accounting Standards in the for-profit sector.
3. We support several of the IPSASB's proposals in the CP. In particular, we support:
 - (a) the proposals on aggregation and disaggregation of information in the primary financial statements and notes as they would be useful for public sector entities by encouraging a clearer focus on primary users' information needs; and
 - (b) the proposed updates to align definitions with the Conceptual Framework and clarifications to disclosure requirements. Refer to our response to Preliminary View (PV) 2, 4 and 14 below.
4. However, a key proposal in the CP is to require IFRS 18-based categories and a subtotal of 'operating surplus or deficit' within public sector financial statements. Based on feedback received on the on-going IFRS 18 implementation experience in the for-profit sector, we expect this proposal would require significant effort and result in significant costs for public sector entities. Feedback received also highlighted concerns about the practical application of the

proposed categorisation requirements in the public sector and the usefulness of the resulting information to primary users.

5. Although the IPSASB has identified inconsistencies in the structure of the statement of financial performance among public sector entities, the CP does not clearly explain whether that inconsistency is causing significant problems for primary users or preparers in the public sector. Without a clearer articulation of the problem to be solved and why the benefits would outweigh the costs, we are unable to support introducing these categories into IPSAS. Refer to our response to PV 8 for more detail.
6. In light of the above, we consider that the benefits of the CP proposals that we support (as noted in paragraphs 2 and 3 above) could be achieved by updating the existing IPSAS 1, rather than issuing a new IPSAS Standard to replace IPSAS 1.

Preliminary View 2—Chapter 2: General Presentation Requirements
The IPSASB's Preliminary View is to continue providing definitions on financial statement elements (aligned with the IPSASB Conceptual Framework and IFRS 18) in the new IPSAS Standard, and to provide other definitions that support the understanding and application of presentation requirements. Do you agree with the IPSASB's Preliminary View? If not, please provide your reasons, and clearly explain what you consider should be changed from a public-sector perspective.

7. We support the IPSASB's Preliminary View to continue providing definitions of financial statement elements in the new IPSAS Standard, aligned with the IPSASB Conceptual Framework and IFRS 18, and to include additional definitions that support the understanding and application of presentation requirements.
8. We note that definitions of financial statement elements (such as assets, liabilities, revenue, expenses, and net assets/equity) are currently included in both IPSAS 1 and the Conceptual Framework. In our view, this duplication is helpful in practice. While the Conceptual Framework provides the underlying principles of general purpose financial reporting, it may not always be referred to directly by preparers when applying standards. Retaining these definitions within IPSAS Standards therefore promotes accessibility and supports consistent application.
9. We also consider it is important that definitions within IPSAS Standards are aligned with those in the Conceptual Framework. Consistency across the IPSASB literature is critical to avoiding confusion and ensuring that preparers apply concepts in a coherent manner. We therefore support the IPSASB's proposal to amend existing definitions in IPSAS 1 so that they align with the Conceptual Framework.

Preliminary View 3—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View is to retain the existing requirements regarding comparative information, and to add the requirement for an additional Statement of Financial Position at the beginning of the preceding period when previously reported information has been materially impacted by a restatement or reclassification into IPSAS Standards, aligned with IFRS 18 requirements.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed from a public-sector perspective.

10. We support the IPSASB's Preliminary View to retain the existing requirements regarding comparative information. We agree that the current requirements in IPSAS 1 provide useful and appropriate information for users.
11. However, we do not support the proposal to require an additional Statement of Financial Position at the beginning of the preceding period (often referred to as a 'third balance sheet') when previously reported information has been materially impacted by a restatement or reclassification.
12. Public sector entities in New Zealand typically present multiple columns of information in their primary financial statements, including current-year actuals, prior-year actuals, and budget information. Some entities also present this information separately for the parent (controlling entity) and the consolidated group or include multiple budget comparisons. As a result, the Statement of Financial Position can already include several columns of information.
13. Introducing a requirement for a 'third balance sheet' (effectively an additional column of information) in circumstances of material restatements or reclassifications would further add to complexity of already relatively dense Statement of Financial Position. We are concerned that this could reduce the readability and understandability of the Statement of Financial Position for users, which would be contrary to the objective of enhancing communication effectiveness.
14. To address this concern, we recommend giving public sector entities the option to include the 'third balance sheet' in the notes, rather than requiring its presentation as part of the primary financial statements.

Preliminary View 4—Chapter 2: General Presentation Requirements

The IPSASB's Preliminary View regarding the other general presentation requirements is to:

- a) Retain existing IPSAS 1 guidance, without updates:
 - i. The responsibility of financial statements (paragraphs 2.9-2.10);
- b) Retain existing IPSAS 1 guidance, with updates to align with IFRS 18 for the public sector context:
 - i. The objective of financial statements (paragraphs 2.4-2.8);
 - ii. The complete set financial statements (paragraphs 2.11-2.13);
 - iii. Identification of financial statements (paragraphs 2.20-2.21);
 - iv. Material information (paragraphs 2.33-2.34);
 - v. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44);
- c) Add new guidance, aligned with IFRS 18 and the IPSASB's Conceptual Framework:
 - i. The roles of the financial statements and notes (paragraphs 2.14-2.19); and
 - ii. The other general presentation requirements in Table 2 (paragraphs 2.41-2.44).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed in the development approach.

PV 4, point (a)

15. We have not identified any concerns with the existing guidance on the responsibility for financial statements. We therefore support the proposal to retain this guidance without updates.

PV 4, point (b):

16. We support the IPSASB's proposal to retain the guidance outlined in point (b), with updates aligned to IFRS 18. We consider it beneficial to align this guidance with current international thinking and recent developments, as this will help ensure the requirements remain relevant and consistent with evolving international best practice.

PV 4, point (c):

17. We do not have significant concerns regarding the proposed guidance clarifying the roles of the financial statements and notes.
18. Overall, feedback received indicates support for incorporating IFRS 18-based guidance on aggregation and disaggregation of information in the primary financial statements and notes. Enhanced principles in this area are expected to improve the clarity and usefulness of financial information presented (see also paragraph 3 above).
19. We are not aware of any concerns regarding the proposed IFRS 18-aligned guidance on the accrual basis of accounting and consider this guidance to be reasonable and appropriate in the public sector context.

Preliminary View 5—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is to retain:

- a) The current/non-current approach as the general approach for classifying assets and liabilities on the face of the Statement of Financial Position;
- b) The order of liquidity approach as a permitted approach on an exception basis; and
- c) The mixed approach, to allow some assets and liabilities to be presented using the current/non-current classification, and others are presented in order of liquidity.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the classification of assets and liabilities on the Statement of Financial Position.

- 20. In principle, we support the IPSASB's Preliminary View to retain the existing approaches to the classification and presentation of assets and liabilities on the face of the Statement of Financial Position.
- 21. In our view, continuing to permit the order of liquidity approach as an alternative is reasonable, particularly for entities for which liquidity information provides more relevant information to users. We are not aware of significant concerns in practice regarding the use of a mixed presentation approach. Accordingly, we support retaining the flexibility to apply a mixed approach where it results in more useful information.
- 22. However, we note that paragraph 116 of the IPSASB's Illustrative Exposure Draft (Illustrative ED) states that when the liquidity approach is applied, "*an entity shall present all assets and liabilities in order of liquidity.*" This wording can be interpreted in a way that all line items must be presented consistently using the liquidity basis.
- 23. In contrast, paragraph AG97 of the Illustrative ED clearly indicates that a mixed presentation approach is permitted. This reflects the IPSASB's stated intention in PV 5(c) and is consistent with existing practice under IPSAS 1.
- 24. To avoid confusion, we recommend that the IPSASB:
 - (a) amend paragraph 116 to explicitly acknowledge that a mixed presentation approach is permitted; or
 - (b) alternatively, consistent with the current approach in IPSAS 1, move the guidance in paragraph AG97 into the core text of the proposed standard.

Preliminary View 6—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the specific line items required in IPSAS 1 should be carried forward, with enhancements limited to adding a new line for goodwill (to align with IFRS 18).

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what line items should be added or removed from the list provided in Table 3.

25. We agree with the IPSASB's Preliminary View that the specific line items currently required in IPSAS 1 should be retained, with enhancements limited to the addition of a new line item for goodwill to align with IFRS 18.
26. We observe that, in New Zealand, some public sector entities already present goodwill as a separate line item in the Statement of Financial Position. The proposed new line item would largely formalise existing practice for those entities and is unlikely to give rise to significant implementation challenges.

Preliminary View 7—Chapter 3: Statement of Financial Position

The IPSASB's Preliminary View is that the new IPSAS Standard should retain IPSAS 1 requirements to:

- a) Not prescribe a specific structure (i.e., order or format) for presenting the Statement of Financial Position; and
- b) Not require the presentation of specific subtotals on the Statement of Financial Position.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed regarding the structure and the presentation of specific subtotals.

27. We have not identified any concerns with the existing requirements, which do not prescribe a specific structure (i.e. order or format) for presenting the Statement of Financial Position and do not require the presentation of specific subtotals. We therefore agree with the IPSASB's preliminary view.

Preliminary View 8—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to present revenue and expense items recognized in surplus or deficit in categories on the Statement of Financial Performance. The categorization requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed (for example, if you prefer a specific public-sector specific categorization, such as those considered in paragraph 4.30, please explain why it would meet the criteria in paragraph 4.29).

28. We do not support this proposal at this stage. In our view, further work is needed before the IPSASB proceeds with IFRS 18-based categories and the related subtotal in the public sector.
29. We observe that in the for-profit sector, for some entities, the on-going effort of implementing the IFRS 18 requirements in relation to categories in the Statement of Profit or Loss required substantial judgement, systems changes and reworking of presentation decisions. Based on feedback received, we expect similar issues to arise in the public sector, with additional challenges in areas such as distinguishing between operating and investing categories, dealing with public-sector-specific transactions, and assessing the relevance of a financing category for entities funded primarily through appropriations.
30. The following examples of questions on specific aspects of the proposed IFRS 18-based categories in the public sector context may indicate challenges relating to the application of the categorisation requirements and the usefulness of the resulting information for primary users:
 - (a) Questions in relation to the distinction between the investing category and operating category in the public sector context, and whether grants and funding relating to capital projects should be classified in the operating or investing category.
 - (b) Calls for guidance on determining the appropriate category for public sector-specific items like service concession arrangements, which are currently not specifically discussed in the Illustrative ED.
 - (c) Questions about the appropriateness of classifying revenue and expenses from investments in associates and joint ventures within the investment category – as per the proposed IFRS 18-based categorisation requirements – in situations where the investment is for the purpose of achieving the entity's service delivery objectives, such as promoting regional development, rather than generating a financial return.
31. It is not clear to us that the challenges and associated costs identified above would be sufficiently justified by benefits arising from the IFRS 18-based categories and the related subtotal.
32. In the for-profit sector, there was a clear challenge that primary users of financial statements were facing, which drove the introduction of the IFRS 18 categories and subtotals. Specifically, the IASB introduced these categories and subtotals to address *concerns from primary users of financial statements, particularly investors*, about the diversity in the presentation of the Statement of Profit or Loss. In the Basis for Conclusions (BC) of IFRS 18, paragraph BC3 notes the following (italics added for emphasis):

“Entities that applied IAS 1 often presented subtotals using the same label, but which included varying income and expenses. *Such diversity made it difficult for users of financial statements to understand and compare information. Comparability is important to users, particularly to buy-side investors, who typically analyse many entities in varied industries.*”.

33. We acknowledge that the IPSASB has identified diversity in the presentation of the Statement of Financial Performance in the public sector, including differing uses of operating-type subtotals. However, the CP does not clearly explain whether that diversity is causing significant problems for primary users or preparers, what those problems are, or which users are affected. In our view, being clear on this is important because the strength of the case for change depends on the nature and significance of the problem being addressed.
34. Before proceeding, we encourage the IPSASB to undertake further work to demonstrate the problem to be solved, identify the users affected and their information needs with respect to the presentation of the Statement of Financial Performance, and explain clearly why the expected benefits of this proposal outweigh the implementation costs in the public sector context. The IPSASB should also consider the following:
- (a) Most changes in accounting standards give rise to both costs and benefits, but if there is no clear problem to be solved, this can shift the balance of cost/benefit considerations. Specifically, even though the IPSASB expects IFRS 18 categories to improve comparability and understandability of public sector financial statements, which is generally beneficial, this benefit may not be sufficient to outweigh the costs of implementing the new categories if the existing diversity in the presentation is not causing challenges to primary users in the public sector or to public sector entities in the first place.
 - (b) While we agree that the proposed categories and subtotal could make public sector entities' Statements of Financial Performance more comparable to each other, we note that the nature of the benefit of comparability is different in the public sector compared to the for-profit sector, because the primary users in these two sectors are different and use the financial statements for different purposes. It is important to consider this difference.
 - i. In the case of IFRS 18, the IASB noted that the diversity in presentation was causing concerns to buy-side investors, for whom comparability is important, as they analyse the financial statements of many companies to make decisions on whether to buy, hold or sell shares in these companies. The categories in IFRS 18 will enhance comparability to address these investors' concerns.
 - ii. In the public sector space, bondholders who buy government or council bonds and entities that provide funding to governments and councils would make similar decisions based on public sector entities' financial statements, i.e. around buying, holding or selling the bonds issued by a public sector entity, and around whether to provide more funding to the public sector entity, etc. For these primary users, the benefit of comparability between the financial statements of different governments and councils is likely to be similar as for investors in the for-profit sector – although there is a question as to whether these users review similar volumes of financial statements compared to buy-side investors in the for-profit sector. We also note that individual government agencies often do not issue bonds to the public or borrow externally from parties outside of central government.
 - iii. However, some other primary users of public sector financial statements, e.g. taxpayers and ratepayers, do not make 'buy/sell/hold' decisions or decisions on

whether to provide funding to a public sector entity, as they do not have discretion over paying taxes or rates. They may still compare financial statements of different governments, different departments or different councils, but this would rather be to understand how well their country's government, their city council or a particular government department is performing compared to another government, council or department. This is different to buy-side investors regularly comparing large volumes of financial statements to make buy/sell/hold decisions. While we consider that comparability is still beneficial in general for public sector primary users like taxpayers and ratepayers, the extent of comparability that these users need to meet their needs may be different compared to investors in the for-profit sector, whose concerns the IASB aimed to address by introducing the IFRS 18 categories.

Preliminary View 9—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to present totals and subtotals, and to permit entities to present additional subtotals, on the Statement of Financial Performance, as listed in paragraph 4.35. The total and subtotal requirements are aligned with IFRS 18 requirements, adapted for the public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

35. We support retaining the requirement to present total surplus or deficit and permitting additional subtotals where they help provide a useful structured summary and are subject to appropriate discipline, e.g. being consistent from period to period.
36. However, we do not support requiring the specific subtotal of 'operating surplus or deficit' unless and until the IPSASB has established a clear basis for the related categorisation proposals. Please refer to our comments on PV 8 above.

Preliminary View 10—Chapter 4: Statement of Financial Performance

The IPSASB's Preliminary View is to maintain the minimum requirements regarding the presentation of line items on the face of the Statement of Financial Performance, with additional guidance. The minimum line item presentation requirements are aligned with IFRS 18 requirements, with additional public sector guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

37. We have not identified any concerns with the existing minimum requirements regarding the presentation of specific line items on the face of the Statement of Financial Performance, and we support the IPSASB's preliminary view to retain these requirements with additional guidance.
38. We consider that the proposed additional guidance to help entities determine whether to present additional line items in the Statement of Financial Performance, in order to provide a

more useful structured summary of its revenue and expense items, would be relevant and useful for the public sector.

39. However, regarding the guidance in paragraph AG86 of the Illustrative ED, which states that an entity may need to split an individual line item from the ‘minimum requirements’ between the different IFRS 18 categories, refer to our comments on the proposed categories under PV 8.

Specific Matter for Comment 1—Chapter 4: Statement of Financial Performance
The IPSASB proposes to maintain the requirements to present expenses by the nature of the expenses or by their function to the entity on the face of the Statement of Financial Performance, in alignment with IFRS 18 requirements, with additional guidance. In your view, should the new IPSAS Standard replacing IPSAS 1 permit mixed presentation, where some expense line items are presented by nature, while others are presented by function? Would mixed presentation result in a useful structured summary of those expenses for users of financial statements in your jurisdiction? Please provide the reasoning behind your view.

40. We consider that the new IPSAS Standard should permit mixed presentation, where some expense line items are presented by nature and others by function.
41. We note that the IASB permitted the mixed presentation of operating expenses in IFRS 18, despite potential effects on comparability between entities. The IASB acknowledged that prohibiting mixed presentation could, in some cases, prevent an entity from presenting useful information or from providing the most useful structured summary of operating expenses. For example, an entity may conclude that classification by function generally provides the most useful information, while some operating expenses may be difficult to allocate to functions in a non-arbitrary manner. Goodwill impairment is one example of an expense that may not be meaningfully attributable to specific functions.
42. We note that similar challenges as those noted by the IASB could also arise in the public sector. Allowing mixed presentation of expenses for public sector entities, as the IASB did in IFRS 18, would help avoid these challenges.
43. We also note that in the public sector, the group of primary users is broader than in the for-profit sector, and therefore primary users’ information needs are broader than those of primary users in the for-profit sector (i.e. investors, lenders and other creditors). Therefore, for public sector entities, having the flexibility to present expenses in a way that best reflects the nature of an entity’s operations and activities, may be more important than strict comparability.
44. As such, we have not found public sector–specific reasons to depart from the IASB’s approach for presenting expenses in the Statement of Financial Performance and we support permitting mixed presentation in the public sector.

Preliminary View 11—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain (1) requirements to present revenue and expense items recognized outside surplus or deficit directly in net assets/equity, on the Statement of Changes in Net Assets/Equity, and (2) requirements related to reclassification adjustments.

Do you agree with the IPSASB's Preliminary View, and are there additional enhancements to these IPSAS 1 requirements the IPSASB should consider (for example, whether to enhance disclosure requirements to help users better understand the nature and composition of material revenue and expense items recognized outside of surplus or deficit)?

If you do not agree, please provide your reasons and clearly explain what you consider should be changed.

45. We note that the IPSASB proposes to retain the IPSAS 1 requirements to present revenue and expense items recognised outside surplus or deficit directly in net assets/equity, and not to align with the IAS 1/IFRS 18 concept "Other Comprehensive Income" (OCI).
46. New Zealand public sector entities have been reporting OCI for many years, from when New Zealand first transitioned to IFRS-based standards. When the XRB subsequently mandated the adoption of New Zealand Public Benefit Entity (PBE) Standards (based primarily on IPSAS) for the public sector in 2014/2015, the NZASB modified the PBE equivalent of IPSAS 1 to retain the presentation of OCI. The NZASB considered feedback from constituents recommending this change to IPSAS 1, and noted that this modification continues existing practice and separates all revenue and expenses from transactions with owners in their capacity as owners.
47. In retaining the concept of OCI in New Zealand PBE Standards, the NZASB decided to re-label OCI as "other comprehensive revenue and expenses" (OCRE), as this terminology is more appropriate for the public sector context.
48. Based on our experience, we are not aware of any significant issues arising from the current OCRE requirements. The approach is well understood, consistently applied, and continues to provide useful information to users. Additionally, this alignment with the for-profit sector remains beneficial for reasons mentioned in paragraph 1 above.
49. If the IPSASB develops a new standard that does not include the concept of OCI, we expect that the XRB would continue to retain the existing OCRE presentation in New Zealand PBE Standards. This reflects the long-standing application of OCRE in New Zealand and the considerations outlined above, including the benefits of continuity of practice and alignment with the for-profit sector.
50. Notwithstanding the above, we have not formed a view on how this issue should be addressed at the international level. We recognise that different jurisdictions may have different reporting traditions and user needs, and we therefore do not express a preference as to whether the IPSASB should require or prohibit an OCI-type presentation in IPSAS Standards.

Preliminary View 12—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's Preliminary View is to maintain the presentation requirements regarding the Statement of Changes in Net Assets/Equity, and revise the reconciliation requirement to require the reconciliation be displayed on the face of the Statement.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

51. Overall, we support the IPSASB's Preliminary View. We consider that requiring the reconciliation between the opening and closing balance of components of net assets/equity to be presented on the face of the Statement of Changes in Net Assets/Equity, as aligned with IFRS 18, would be beneficial. In our view, such an approach would enhance the understandability of financial statements by making key movements in net assets/equity more visible and accessible to users.
52. We understand that practice in New Zealand is mixed in this area. Some public sector entities currently present reconciliations on the face of the Statement of Changes in Net Assets/Equity, while others provide this information in the notes. We consider that, for most entities that currently present the reconciliation in the notes, moving this information to the face of the primary financial statement would not be difficult to implement.
53. However, we note that certain entities—such as councils—are required to provide detailed disclosures regarding transfers to and from restricted reserves. For these entities, while we consider that high-level reconciliation information should be presented on the face of the Statement of Changes in Net Assets/Equity, we note that more detailed breakdowns would still need to be provided in the notes, to meet legislative or regulatory requirements and to ensure that users retain access to sufficiently detailed information.

Preliminary View 13—Chapter 5: Statement of Changes in Net Assets/Equity

The IPSASB's preliminary view is that guidance based on IFRIC 17 *Distribution of Non-cash Assets to Owners* should not be incorporated into the IPSAS Standards, as the relevant transactions are not prevalent in the international public sector.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

54. Based on our outreach, we are not aware of evidence that transactions within the scope of IFRIC 17 are prevalent in the New Zealand public sector. On that basis, we agree that there does not appear to be a compelling need to incorporate IFRIC 17 into IPSAS.

Preliminary View 14—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to retain existing IPSAS 1 requirements for the disclosure of information in the notes to the financial statements, and incorporate the IASB's amendments to IAS 1 (as presented in paragraphs 6.7 and 6.12) which would align with equivalent IFRS Accounting Standards guidance.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

55. We agree with the IPSASB's proposal to incorporate into IPSAS the IASB's 2014 amendments *Disclosure Initiative*. These IASB amendments included various clarifications to the disclosure requirements in IAS 1, including in relation to materiality, order of the notes, and presentation of additional subtotals. In New Zealand, these IASB amendments have already been incorporated into PBE IPSAS 1 *Presentation of Financial Reports*, as they were considered to be useful for New Zealand public benefit entities. We are not aware of any issues with these requirements in New Zealand.
56. We agree that an equivalent of IASB's *Disclosure of Accounting Policies* should be incorporated into IPSAS – noting that the reference to 'material' accounting policies instead of 'significant' ones seems beneficial, considering that materiality is defined in IPSAS and is a concept used throughout IPSAS.

Preliminary View 15—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not incorporate the IFRS 18 definition and disclosure requirements for management-defined performance measures (MPMs) into the IPSAS Standards.

Do you agree with the IPSASB's Preliminary View?

If not, please provide your reasons and clearly explain what you consider should be changed.

Preliminary View 16—Chapter 6: Disclosure of Information in the Notes

The IPSASB's Preliminary View is to not include an amended IFRS 18 MPM concept for application in the public sector (thereby not introducing an amended version of the IFRS 18 MPM definition or disclosure requirements into the IPSAS Standards).

Do you agree with the IPSASB's Preliminary View?

If not, please:

- a) Provide your reasons, and provide specific examples of alternative performance measures that are defined by management and provided in public communications outside the financial statements; and
- b) Clearly explain why there is a need for greater transparency of those measures that warrants new guidance in the IPSAS Standards.

57. We have considered PV 15 and PV 16 together and provide a combined response.
58. Evidence from our review of a sample of public sector financial statements indicates that some measures used by New Zealand public sector entities may meet the IFRS 18 definition of MPMs (for example, 'adjusted net surplus before tax' and 'earnings before interest, tax, depreciation and amortisation' (EBITDA) reported by some universities and Crown Entities, or 'operating balance before gains or losses' (OBEGAL) reported by the government). While the IPSASB concluded that alternative performance measures meeting the IFRS 18 definition of MPM are not prevalent in the public sector, the usage of such measures may be common enough to merit consideration of disclosure requirements.
59. Feedback received indicates that 'non-GAAP' performance and position measures in the public sector may not always be well understood by public sector stakeholders and that enhanced disclosure requirements for those measures could be beneficial.
60. However, we also note that public sector entities publish a broad range of information, including in budgets and annual reports, and share performance and expenditure information on a variety of platforms including websites and media releases. Therefore, it may be difficult and costly:
- (a) For public sector entities to identify MPMs; and
 - (b) For auditors to provide reasonable assurance that MPM disclosures are complete.
- Those challenges would further increase if the scope of the disclosures is broadened to financial performance and position measures beyond the IFRS 18 definition of MPM.
61. Therefore, we consider that the IPSASB should only develop disclosure requirements for MPMs and/or other financial performance or position measures used by public sector entities in public communications if it can identify an approach that minimises the cost of identifying those measures.
62. If such an approach is identified, the IPSASB should consider extending the enhanced disclosure requirements to financial performance and position measures beyond the IFRS 18 definition of MPM (for example net debt or residual cash).