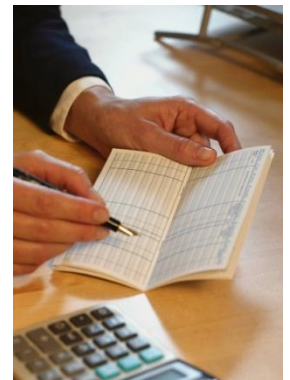




Change in Accounting and Auditing Standard Setting – Setting the Scene

Kevin Simpkins

Chairman, Accounting Standards Review Board



A Review of the Financial Reporting and Assurance Framework - Why Now?

- Our Standard setting structures are inefficient and not internationally credible
- 5 years experience with IFRS – time to take stock
- Strong criticism from some PBE stakeholders
- “Old” GAAP is becoming very old and the issues for small and medium-sized entities need to be resolved
- Need to respond to the IFRS for SMEs
- Our framework is not complete or consistent e.g. charities

Structural Changes Proposed in and arising from the ARER Bill

- External Reporting Board (XRB) will be established
 - A “reconstituted” ASRB
 - An Independent Crown Entity (as now)
- XRB will be responsible for:
 - Financial reporting strategy (including tiers)
 - Preparation and approval of accounting, auditing and assurance standards
- Two subsidiary Boards of the XRB will set accounting and auditing standards
- Achieves functional equivalence with Australia

The Discussion Documents of September 2009

- MED Discussion Document:
 - Which entities should be statutorily required to prepare reports and obtain assurance?
 - Public accountability
 - Economic Significance
 - Separation of owners and management
- ASRB companion Discussion Document:
 - What tiers of reporting and assurance should be established?
 - Which accounting standards should be used when preparing General Purpose Financial Reports (GPFR)?
 - What level of assurance should be obtained on GPFR?

ASRB's Key Proposals in the Discussion Document

- Taking a user information needs focus
- Sector-specific accounting standards proposed to address those needs
- Reporting tiers proposed to match costs and benefits (including “simple format reporting”)

Where have we got to?

- For-profit Entities
 - Tier 1 to be based on the notion of public accountability and to report on IFRS (near pure)
 - Tier 2 reporting - considering options including the Australian Reduced Disclosure Regime (RDR)
- Public Sector Entities
 - Have concluded that IPSAS is technically viable
 - Considering governance and funding issues further
- Not-for-profit Entities
 - Have concluded that NFP Application based on IPSAS is viable

Where have we got to?

- Key Issue – Single or Multi-standards Approach
 - Enhanced IFRS Equivalents OR
 - Multi-Standards Approach [IFRS and IPSAS (with NFP Application)]
- A Tentative Framework for Decisions
 - User information needs (the primary focus)
 - Non-technical factors (essentially cost-benefit issues)
- Auditing and Assurance Standards
 - Have reached tentative agreement with NZICA on division of responsibility for ethical and professional standards
 - Project with NZICA to ready existing auditing and assurance standards for adoption when XRB established

Where to next?

- Consultation on For-profit Entity Matters
 - Exploring harmonisation with Australia
 - Public consultation in first half of 2011
- Consultation on Public Benefit Entity Standards
 - Further consideration of IPSASB governance and funding issues
 - Public consultation likely in first half of 2011
- Further consideration of Tiers
 - Number of tiers in NFP sector
 - Assurance tiers (and role of review engagements)
- Work on Simple Format Reporting

The International and Trans-Tasman Context

- IFRS now well entrenched internationally but...
 - 2011 a watershed year
 - Will the United States adopt IFRS (2011 decision)?
 - Ongoing discussion about the relationship between reporting for investors and for regulators
 - Can an international body of standards deal with the local issues adequately e.g. our recent deferred tax issue.
- IPSAS is growing in acceptance/coverage but ...
 - The big challenges (the public sector specific issues) lie ahead
 - The conceptual framework project is crucial

The International and Trans-Tasman Context (continued)

- The NZ and Australian governments are committed to ongoing Single Economic Market development through an Outcomes Framework
- In the financial reporting and auditing arena:
 - Trans-Tasman cross appointments have been very successful
 - The respective Boards have been working together increasingly
 - However there are challenges such as a different approach to public sector reporting
 - The notion of net Trans-Tasman benefit agreed by the respective Ministers has not yet been grasped



“To achieve great things, two things are needed: a plan and not quite enough time.”

Leonard Bernstein

