

Accounting Alert

Quarterly update – Public Benefit Entities

Connect to what's new in financial reporting for September 2024

This quarterly update includes a high-level overview of new and revised financial reporting requirements that need to be considered by public benefit entities for annual and interim financial reporting periods ending on 30 September 2024. Information is also included for June 2024 year-ends for entities who are still finalising their financial statements. [➤](#)

Financial Reporting Standards Update

Five new financial reporting standards or amendments became effective for the financial year ended 31 December 2023 and are mandatory for the financial year ending 30 September 2024, including PBE IFRS 17 *Insurance Contracts* and related amendments (currently applicable to not-for-profit entities) and amendments to PBE IPSAS 41 *Financial Instruments*, which clarify the accounting for public sector specific financial instruments. All entities will need to assess the impact of the new standards and amendments and ensure that relevant policies are in place to implement the changes.

Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17), issued in June 2023, includes modifications for public sector entities and requires the application of the amended insurance standard by public sector PBEs for periods beginning on or after 1 January 2026. Public sector PBEs may early adopt the amended PBE IFRS 17 for periods ending on or after 20 July 2023.

All Tier 1 entities need to consider the new requirements and appropriate disclosure of approved but not yet effective standards. Disclosure requirements relating to new standards are outlined at [Appendix A](#).

Importance of disclosures

Climate-related disclosures

Financial statement preparers must consider the accounting implications of climate change and the appropriate disclosures to include in the entity's financial statements. See [page 9](#) for information about reflecting climate risk in financial statements.

The climate disclosure standards, applicable to certain entities referred to as Climate Reporting Entities, become effective for the financial year ended 31 December 2023. Refer to [page 10](#) of this publication for more information.

Service Performance Reporting

Service performance reporting is an important disclosure and is an area of interest for PBE stakeholders. Refer to [page 8](#) of the publication for further guidance.

You may find our framework publication, 'The New Zealand financial reporting landscape' useful. This publication provides a summary of the legislative and accounting standards requirements for New Zealand entities and is available [here](#).



New accounting standards for Tier 3 & 4 Public Sector and Not-for-Profit PBEs are applicable for annual reporting periods beginning on or after 1 April 2024:

- Tier 3 (NFP) Standard
- Tier 4 (NFP) Standard
- Tier 3 (PS) Standard
- Tier 4 (PS) Standard

These are available for early adoption for periods ended after 15 June 2023. In addition, effective for periods ending on or after 28 March 2024, the size thresholds for Tier 2 and 3 PBEs have been increased to:

- ≤ \$33 million expenses for Tier 2; and
- ≤ \$5 million expenses for Tier 3.

Refer to the XRB guidance page [here](#) for more information. [Appendix B](#) has an updated summary of the accounting standards framework for PBEs.

The New Zealand Accounting Standards Framework

The New Zealand Accounting Standards Framework is a two sector (for-profit and public benefit entities (PBE)), multi-tiered Framework. This approach has been adopted to meet the differing information needs of each sector's users of financial statements. The for-profit entity framework is based on IFRS Accounting Standards (IFRS). The PBE framework is based on standards issued by the International Public Sector Accounting Standards Board (IPSASB).

XRB A1 Application of the Accounting Standards Framework

(XRB A1) sets out the tiers for reporting, the standards that apply to each tier and the requirements for transitioning between tiers. Each reporting period, entities should consider whether there have been any changes to the business or operations that would result in a change in reporting or audit requirements. These could include:

- Changes in ownership (such as an increase in the number of shareholders or proportion of overseas ownership); and
- Increases in revenue or assets through growth, business combinations or capital raises.

Frequently Asked Questions Tier 1 & 2 (NFP)

The XRB has provided FAQs for Tiers 1 and 2 not-for-profit entities. Topics include the accounting standards framework, accounting for donations, statement of service performance, deciding on materiality, low interest loans, and a guide for applying PBE IPSAS 41. Find out more [here](#).

Incorporated Societies Act

The Incorporated Societies Act 2022 came into force in October 2023 and requires all Societies except those that are 'small' to prepare their financial statements using the XRB standards.

Refer to the [XRB guidance page](#) for more information.

PBE entities: What are the new and revised accounting pronouncements for September 2024?

Changes in accounting standards can have a significant impact on an entity's financial statements. New pronouncements should be carefully reviewed for any potential impacts or opportunities.

The tables below and overleaf outline the new and revised pronouncements that are either required to be applied for the first time for a 30 September 2024 annual or interim reporting period or may be early adopted¹. The footnotes distinguish between mandatory initial application, and pronouncements that were also mandatory in a previous period.

In the majority of cases, the disclosure requirements of the individual pronouncements listed in the tables below would not be

applicable to half-year financial reports; however, the recognition and measurement requirements would be applied where those pronouncements have been adopted by the entity.

In addition, disclosure of the application of new and revised accounting pronouncements needs to be carefully considered, along with the impact of those that are approved but not yet effective. We have outlined key considerations in respect of these in [Appendix A](#).

The information below was updated on 5 September 2024 for developments to that date. Further information on each pronouncement can be found in the next section

New and revised pronouncements	Effective date*	Year ending				Interim ending	
		Jun 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
PBE Standards (Tiers 1 and 2)							
PBE IFRS 17 Insurance Contracts**	1 Jan 2023	O	M	O	M	O	M ²
Amendments to PBE IFRS 17**	1 Jan 2023	O	M	O	M	O	M ²
Initial Application of PBE IFRS 17 and PBE IPSAS 41 – Comparative Information**	1 Jan 2023	O	M	O	M	O	M ²
2022 Omnibus Amendments to PBE Standards	1 Jan 2023	M	M	M	M	M ²	M ²
Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41)	1 Jan 2023	M	M	M	M	M ²	M ²
Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)	1 Jan 2024	O	O	O	O	M	M
Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17)**	1 Jan 2026	O	N/A	O	N/A	O	N/A
PBE Conceptual Framework Update	1 Jan 2028	O	O	O	O	O	O



Key

O Optional

M Mandatory – first time

* Annual reporting periods beginning on or after this date. Note regarding early adoption: Standards and amendments issued by the XRB take legal effect 28 days after they are published under the Legislation Act 2019. Early adoption of certain standards and amendments is permitted, but not for accounting periods ending before the date those standards and amendments take legal effect. For recent amendments, the table below includes the dates these are available for early adoption.

**PBE IFRS 17 applies to not-for-profit PBEs for accounting periods beginning on or after 1 January 2023. In June 2023, the NZASB issued Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17), which includes modifications for public sector entities and requires the application of the amended insurance standard by public sector PBEs for periods beginning on or after 1 January 2026. Public sector PBEs may early adopt PBE IFRS 17, including all amendments, for periods ended on or after 20 July 2023.

¹ Amendments to PBE FRS 47 First-time Adoption of PBE Standards have not been fully considered in this publication. First time adopters should consult the latest version of PBE FRS 47 when preparing their first financial statements in compliance with PBE Standards.

Impact of each new and revised pronouncement

The following tables set out information on the impact of the recent new pronouncements (see key on pages 2).

New pronouncement	Effective date	Year ending				Interim ending	
		June 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
PBE IFRS 17 Insurance Contracts	1 Jan 2023	O	M	O	M	O	M ²
<p>The New Zealand Accounting Standards Board (NZASB) initially issued PBE IFRS 17 with a scope modification to limit its application to Tier 1 and Tier 2 not-for-profit PBEs. In June 2023, the NZASB issued <i>Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17)</i>, which added public sector-specific amendments and expanded the scope of the standard to include public sector PBEs from 1 January 2026.</p> <p>The information about PBE IFRS 17 below describes the requirements of the standard and how it applies to <u>not-for-profit PBEs</u>. Information about the amendments to the standard for public sector entities is here.</p> <p>PBE IFRS 17 supersedes PBE IFRS 4 <i>Insurance Contracts</i>. PBE IFRS 17 is closely based on NZ IFRS 17 <i>Insurance Contracts</i>. The scope of PBE IFRS 17 differs from PBE IFRS 4 because it introduces:</p> <ul style="list-style-type: none"> a requirement that in order to apply the insurance standard to investment contracts with discretionary participation features, an entity has to also issue insurance contracts; and an option to apply PBE IPSAS 9 <i>Revenue from Exchange Transactions</i> to fixed-fee contracts with customers, provided certain criteria are met. <p>PBE IFRS 17 requires not-for-profit PBEs to identify portfolios of insurance contracts which are subject to similar risks and managed together. Each portfolio shall be divided into a minimum of three groups:</p> <ul style="list-style-type: none"> a group of contracts that are onerous at initial recognition, if any; a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently, if any; and a group of the remaining contracts in the portfolio, if any. <p>A not-for-profit PBE is not permitted to include contracts issued more than one year apart in the same group. Furthermore, if a portfolio would fall into different groups only because law or regulation constrains the not-for-profit PBE's practical ability to set a different price or level of benefits for policyholders with different characteristics, the not-for-profit PBE may include those contracts in the same group.</p> <p>The standard measures insurance contracts either under the general model or a simplified version called the <i>Premium Allocation Approach</i>.</p>							

New pronouncement	Effective date	Year ending				Interim ending	
		June 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
<p>The general model is defined such that at initial recognition an entity shall measure a group of contracts at the total of:</p> <ul style="list-style-type: none">the amount of the fulfilment cash flows (“FCF”), which comprise probability-weighted estimates of future cash flows, an adjustment to reflect the time value of money (“TVM”) and the financial risks associated with those future cash flows and a risk adjustment for non-financial risk; andthe contractual service margin (“CSM”). <p>On subsequent measurement, the carrying amount shall be the sum of the liability for remaining coverage and the liability for incurred claims. The liability for remaining coverage comprises the FCF related to future services and the CSM of the group at that date. The liability for incurred claims is measured as the FCF related to past services allocated to the group at that date.</p> <p>An entity may simplify the measurement of the liability for remaining coverage of a group of insurance contracts using the <i>premium allocation approach</i> on the condition that, at initial recognition, the entity reasonably expects that doing so would produce a reasonable approximation of the general model, or the coverage period of each contract in the group is one year or less.</p> <p>The new standard may also result in changes to presentation in the statement of financial performance.</p> <p>A not-for-profit PBE shall apply the standard retrospectively unless impracticable, in which case entities have the option of using either the modified retrospective approach or the fair value approach.</p> <p>At the date of initial application of the standard, those not-for-profit PBEs already applying PBE IPSAS 41 <i>Financial Instruments</i> may retrospectively re-designate and reclassify financial assets held in respect of activities connected with contracts within the scope of the standard.</p> <p>Other amendments to ensure alignment of PBE IFRS 17 with NZ IFRS 17 are discussed below.</p>							
Amendments to PBE IFRS 17	1 Jan 2023	O	M	O	M	O	M ²
<p>The other amendments to PBE IFRS 17 <i>Insurance Contracts</i> include the following:</p> <ul style="list-style-type: none">Scope exclusion for credit card contracts and similar contracts and optional scope exclusion for loan contracts with insurance coverage limited to the loan amount;Recognition of insurance acquisition cash flows relating to expected contract renewals, including guidance for insurance acquisition cash flows recognised in a PBE combination;Application of PBE IFRS 17 in interim financial statements;Allocation of CSM attributable to investment-return service and investment-related service;							

New pronouncement	Effective date	Year ending				Interim ending	
		June 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
<ul style="list-style-type: none"> • Risk mitigation option using instruments other than derivatives; • Recovery of losses from underlying insurance contracts through reinsurance contracts held; • Presentation in the statement of financial position; • Transition issues: classification of contracts acquired in their settlement period and guidance on the restatement of the risk mitigation option applied in prior periods; and • Minor application issues. <p>Information about additional recent amendments to the standard for public sector entities is here.</p>							
Initial Application of PBE IFRS 17 and PBE IPSAS 41 – Comparative Information	1 Jan 2023	O	M	O	M	O	M ²
The amendments will help insurers avoid temporary accounting mismatches due to different transition requirements in PBE IFRS 17 <i>Insurance Contracts</i> and PBE IPSAS 41 <i>Financial Instruments</i> .							
2022 Omnibus Amendments to PBE Standards	1 Jan 2023	M	M	M	M	M ²	M ²
<p>The amendments result in changes to several PBE standards, including:</p> <ul style="list-style-type: none"> • Clarifying which fees an entity includes when it applies the '10 percent' test for derecognition of a financial liability (PBE IPSAS 41 <i>Financial Instruments</i>). • Clarifying that the cost of fulfilling a contract comprises the 'costs that relate directly to the contract' which are both: <ul style="list-style-type: none"> ◦ incremental costs of fulfilling the contract (e.g. direct materials and labour); and ◦ an allocation of other costs that relate directly to fulfilling contracts (e.g. overheads such as allocation of depreciation expense on an item of property, plant and equipment used in fulfilling the contract) (PBE IPSAS 19 <i>Provisions, Contingent Liabilities and Contingent Assets</i>). • Prohibiting deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, the sales proceeds and related costs should be recognised in the profit or loss (PBE IPSAS 17 <i>Insurance Contracts</i>). • Adding guidance and illustrative examples to illustrate the extent to which borrowing costs can be capitalised (PBE IPSAS 5 <i>Borrowing Costs</i>). • Introducing an exception to the initial recognition exemption in PBE IAS 12. Applying this exception, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences (PBE IAS 12 <i>Income Taxes</i>). 							

New pronouncement	Effective date	Year ending				Interim ending	
		June 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
<ul style="list-style-type: none"> Removing the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique because PBE IPSAS 27 does not require the use of a pre-tax discount rate (PBE IPSAS 27 <i>Agriculture</i>). <p>The Omnibus Amendments also make minor clarifications or amendments to other PBE standards.</p>							
Public Sector Specific Financial Instruments (Non-Authoritative Amendments to PBE IPSAS 41)	1 Jan 2023	M	M	M	M	M ²	M ²
The amendments clarify the accounting for public sector specific financial instruments, including certain instruments with characteristics similar to financial instruments including monetary gold, currency in circulation, IMF special drawing rights, and IMF quota subscriptions.							
Disclosure of Fees for Audit Firms' Services (Amendments to PBE IPSAS 1)	1 Jan 2024	O	O	O	O	M	M
<p>The amendments update the required disclosures for fees relating to services provided by the entity's audit or review firm. The fees must be disaggregated into specified categories, including audit and review services, other assurance services, agreed-upon procedures engagements, taxation services, and other services. There is guidance to assist entities in determining the types of services to include in each category. There are reduced disclosure requirements for Tier 2 entities.</p> <p>The amendments are available for early adoption for accounting periods ended on or after 15 June 2023.</p>							
Insurance Contracts in the Public Sector (Amendments to PBE IFRS 17)	1 Jan 2026	O	N/A	O	N/A	O	N/A
<p>The amendments modify PBE IFRS 17 <i>Insurance Contracts</i> to be suitable for public sector PBEs and require public sector PBEs to apply the standard from 1 January 2026. Public sector PBEs may early adopt the amended PBE IFRS 17 for periods ended on or after 20 July 2023.</p> <p>Key modifications to the standard for application by public sector PBEs include:</p> <ul style="list-style-type: none"> Additional guidance for public sector PBEs on identifying whether an arrangement falls within the scope of PBE IFRS 17; An exemption for public sector PBEs from dividing a portfolio of insurance contracts into groups based on the issue dates and whether the contracts are, or are likely to become, onerous (and a related amendment to the requirements determining the date at which insurance contracts are first recognised); Guidance for public sector PBEs on which cashflows are within the boundary of an insurance contract for the purpose of measuring insurance contracts; 							

New pronouncement	Effective date	Year ending				Interim ending	
		June 2024		Sept 2024		Sept 2024	
		PS	NFP	PS	NFP	PS	NFP
<ul style="list-style-type: none"> A choice for public sector PBE's to apply the premium allocation approach to insurance contracts and reinsurance contracts; and A modification to the transition requirements. 							
<i>PBE Conceptual Framework Update</i>	1 Jan 2028	O	O	O	O	O	O
<p>The amendments to the PBE Conceptual framework include the following:</p> <ul style="list-style-type: none"> Updates to the guidance on materiality; Clarification of the concept of 'prudence' in the context of faithful representation; Updates the definition of an asset and a liability and related guidance; and New guidance on: <ul style="list-style-type: none"> the unit of account; and binding arrangements that are equally unperformed. <p>Early adoption is permitted for periods ending on or after 19 September 2024.</p>							

Statement of Service Performance

PBE FRS 48 *Service Performance Reporting* requires Tier 1 and Tier 2 PBEs to provide information to their stakeholders in a statement of service performance ("SSP") explaining why the entity exists, what it aims to achieve over the medium to long term, and how it has performed during the current period in meeting its objectives.

The Standard is designed to apply to all sizes and types of PBEs. It outlines principles and high-level requirements that allow each entity the flexibility to determine the disclosures that will be most appropriate for their stakeholders. For this reason, there are no Tier 2 disclosure concessions. The lack of prescriptive requirements means that entities will need to apply significant judgement in determining the information to be provided. Below are some resources which may be useful when preparing an SSP.

Tips for SSPs



Engage with your stakeholders – Management should consider talking to key stakeholders to understand what information is important to them for accountability and decision-making purposes.



Consider what data is already being collected – Certain performance information that is currently provided to the entity's governing body may also be useful for readers of the entity's financial statements.



Consider materiality - Management will need to consider materiality in the context of the Statement of Service Performance, including the level of aggregation of performance measures. Reporting too many measures may obscure the information that is most critical to stakeholders.



Involve your finance team – The entity will need systems and processes in place to collect the data necessary to compile the Statement of Service Performance. The finance team is likely best placed to assist in determining how to collect the required data for the proposed performance measures and consider any additional systems and processes that need to be implemented.



Consider the key judgements - Management will need to make judgements around selection, measurement, and presentation of information in the Statement of Service Performance. Ensure key judgements are documented, approved by those charged with governance, and disclosed in the Statement of Service Performance.



Engage with your auditor – If your financial statements are audited, you should discuss your proposed performance measures with your auditor. This will enable you to agree on the timing of verification procedures as well as the documentation that the entity will be required to produce for the purpose of the audit.

Other available guidance

Several organisations have issued guidance to assist entities in implementing PBE FRS 48.

External Reporting Board (XRB)

[Explanatory Guide \(EG A10\) Service Performance Reporting](#) provides a summary of the requirements and examples of how to report the components of the Statement of Service Performance.

Staff guidance provides [key considerations when applying PBE FRS 48](#).

The XRB recently issued additional staff guidance on [disclosures of how service performance is measured by an entity](#) and provides a reminder of the key principles to consider around what to disclose and how much to disclose.

Charities Services

Charities Services has some [information about service performance reporting](#) for registered charities.

Need some good examples?

The Office of the Auditor General (OAG) issues [performance reporting guidance](#) including links to annual reports that the OAG determines are good examples of reporting what is important, providing a coherent account of performance and reporting on impacts and the contribution to outcomes. Other entities may find the guidance useful in preparing their own performance reports.

Chartered Accountants ANZ also recognises excellence in not-for-profit reporting in their yearly [For Purpose Reporting Awards](#). These awards recognise best practice in overall performance reporting and therefore the annual reports referred to may be useful for guidance on service performance reporting as well.

Reflecting climate risk in financial statements

The IFRS Foundation has issued educational materials on the [Effects of climate-related matters on financial statements](#). The International Public Sector Accounting Standards Board (IPSASB) staff have also issued a [Q&A publication on climate change](#).

As New Zealand financial reporting standards are based on IASB and IPSASB developed standards, the guidance is also relevant for financial statements prepared in accordance with NZ Generally Accepted Accounting Practice (NZ GAAP).

Preparers of financial statements must consider the **accounting implications of climate change** as well as the appropriate **disclosures** to include in the entity's financial statements, including the **consistency of that disclosure** with other information in the annual report or other entity publications.

Impact on measurement and recognition

The risks and uncertainties arising from climate change are likely to have an impact on the financial statements of all entities, whether directly, or indirectly (through the supply / value chain). For example, climate change could result in:

- changes to assumptions in forecasts when considering asset impairment, including goodwill;
- effects on impairment calculations because of increased costs or reduced demand;
- changes in the useful life of assets;
- changes in the fair values of assets;
- changing availability of future tax profits when assessing recoverability of deferred tax assets;
- changes in provisions for onerous contracts because of increased costs or reduced demand;
- changes in provisions and contingent liabilities arising from fines and penalties;
- changes in expected credit losses for loans and other financial assets; and
- new financing arrangements and terms to be considered.

Forecasts used to assess going concern over a period of at least 12 months from the date of signing the financial statements may also be significantly affected in certain cases. The likelihood and extent of impact will require judgement because there is significant uncertainty as to the extent by which the global temperature will increase, what the impact of different climate change scenarios on an entity's business might be, and how these factors may result in changes to cash flow projections or to the level of risk associated with achieving those cash flows.

Assumptions made will need to be consistent with:

- risk management, strategy, and business model disclosure;
- commitments made by the company to investors and other stakeholders;
- commitments made by governments of jurisdictions in which the company operates, e.g., the NZ Government's commitment to 'net zero by 2050' and a carbon neutral public sector by 2025; and
- other disclosures made by the entity (such as the new climate-related disclosures issued by the XRB or other ESG reporting).

If your organisation has made climate commitments, the financial impact of these commitments should be reflected in related accounting estimates and disclosures.

Increased Disclosure

Accounting standards note that "omissions or misstatements of items are material if they could, individually or collectively influence the decisions or assessments of users made on the basis of the financial statements or service performance information" (PBE IPSAS 1 *Presentation of Financial Reports*).

If stakeholders could reasonably expect that climate-related risks (or other emerging risks) will have a significant impact on the entity and this would qualitatively influence stakeholders' decisions, then information on the climate or other assumptions made should be disclosed, including information about the sensitivity of those assumptions. Such disclosure may be necessary, even if the effects of climate change on the entity are not expected in the short term. How this is disclosed in a way that highlights the relevant information for investors without overwhelming them with too much data which will be important.

Climate disclosures in the financial statements should be consistent with information provided elsewhere, for example in management commentary in the annual report and information on the organisation's website as well as in the climate-related disclosures. Refer to the coherence principle on the next page.

The staff of the XRB have also issued guidance on [Climate-related matters in the financial statements](#) and how these link to the climate-related disclosures below.

Climate-related disclosures

Climate Reporting Entities (CREs) (as defined by Part 7A of the FMC Act) are required to prepare an annual climate statement (separate to the financial statements) that discloses information about the effects of climate change on their business or any fund they manage. They will need to obtain independent assurance on the aspect of the climate statement that relates to the disclosure of GHG (Greenhouse Gas) emissions for reporting periods ending on or after 27 October 2024.

The new Climate Standards issued are:

- Aotearoa New Zealand Climate Standard 1: *Climate-related Disclosures (NZ CS 1)*

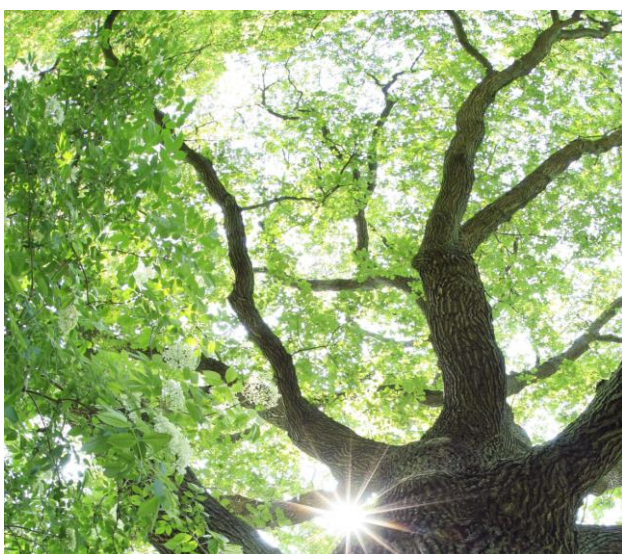
This standard requires disclosures explaining how the entity manages its climate-related risks and opportunities. The disclosure requirements cover four key areas (Governance, Strategy, Risk Management and Metrics and Targets).

Aotearoa New Zealand Climate Standard 2: *Adoption of Aotearoa New Zealand Climate Standards (NZ CS 2)*

This standard provides optional disclosure exemptions that entities may apply during the first few periods of climate reporting.

- Aotearoa New Zealand Climate Standard 3: *General Requirements for Climate-related Disclosures (NZ CS 3)*

This standard includes the information principles for climate-related disclosures (such as relevance, accuracy, and verifiability), as well as presentation principles (including coherence, balance, understandability and completeness), general requirements for how the information is disclosed, and guidance on topics such as materiality and estimation uncertainty.



Coherence per NZ CS 3:

"Coherence means presenting climate-related disclosures in a way that makes clear the linkages and connections between an entity's climate-related risks and opportunities and its governance, strategy, risk management and metrics and targets.

Coherence will be more important if climate-related disclosures are presented in different locations within a document or are distributed across other disclosures of the entity.

Coherence also requires an entity to present information in a way that allows primary users to relate information about its climate-related risks and opportunities to the entity's financial statements."



Key considerations are whether:

- assumptions are consistent between the climate statement, financial statements, and the rest of the annual report;
- the information included in the non-financial section of the annual report supports what is presented and disclosed in the financial statements;
- there is cross-referencing or linking by other means between the different components of the annual report and any external climate disclosures; and
- boilerplate wording is used or content repeated from the non-financial section of the annual report.

The XRB has released additional supporting materials, including staff guidance and a preparation guide for directors. There is also guidance jointly issued with the FMA including [Navigating climate statements guide](#) and [Climate-related Disclosures Regime: What you need to know](#). These and other resources can be found [here](#).

Appendix A – Shedding light on the new disclosures required

NZ IFRS requires disclosures in relation to all the new or revised Standards and Interpretations that have had or may have a material impact on the annual financial report of the entity, whether they have been adopted or not. The requirements for interim financial reports are less onerous but must still be considered.

The disclosure requirements surrounding new or revised accounting pronouncements are specified by:

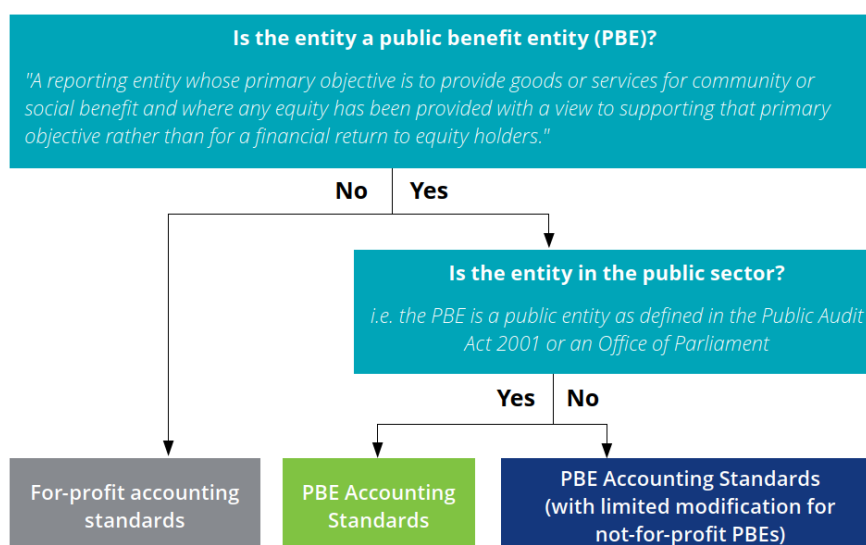
- for annual reporting periods – PBE IPSAS 3 *Accounting Policies, Changes in Accounting Estimates and Errors*
- for interim reporting periods – PBE IAS 34 *Interim Financial Reporting*.

Entities reporting under RDR (Tier 2 entities) are permitted exemptions from certain disclosures as noted below.

What disclosures are required?

Applicability of new or revised pronouncement	Summary of disclosures required	
	Annual financial statements	Interim financial statements
Initial mandatory or voluntary application of a new or revised pronouncement	<p>The relevant pronouncement, the nature of the change in accounting policy, details of any transitional provisions, line-by-line analysis of the effect of the change in policy on the financial statements and the impacts on earnings per share.</p> <p><i>Tier 2 entities would not need to disclose details of transitional provisions.</i></p> <p>(PBE IPSAS 3.33)</p> <p>In addition, each standard may have specific transitional provisions with which the entity needs to comply.</p> <p>When initial application has not had a material impact on the financial statements (and is also not expected to have a material impact in future periods), an entity may wish to include generic disclosure such as:</p> <p><i>"All mandatory Standards, Amendments and Interpretations have been adopted in the current year. None had a material impact on these financial statements."</i></p>	<p>The nature and effect of any change in accounting policy compared with the most recent annual financial report.</p> <p>(PBE IAS 34.16A(a))</p> <p>PBE IAS 34 does not specify the level of detail of the disclosures required, and accordingly the level of detail may be less than is presented in an annual financial report in accordance with PBE IPSAS 3. However, best practice might suggest that the requirements of PBE IPSAS 3 be used as a guide.</p> <p>An IFRS in Focus Newsletter with more details can be found here.</p>
Pronouncement on issue but not adopted	<p>The financial report must disclose which pronouncements have been issued but not adopted in the financial report, when the pronouncements have mandatory application, when those pronouncements are going to be applied by the entity and the possible impact on the entity's financial report (where known or reasonably estimable).</p> <p>The tables within the body of this update could be reviewed to identify such pronouncements for periods ending 30 June 2024 or 30 September 2024 (updated to 5 September 2024).</p> <p>When initial application is genuinely not expected to have a material impact on the financial statements, an entity may wish to include a generic disclosure such as:</p> <p><i>"There are a number of Standards, Amendments and Interpretations which have been approved but are not yet effective. The Company expects to adopt these when they become mandatory. None are expected to result in a material impact on the Company's financial statements."</i></p> <p>Tier 2 entities are exempt from these disclosures.</p> <p>(PBE IPSAS 3.35-36)</p>	<p>The impacts of new or revised accounting pronouncements that have not been early adopted are not explicitly required to be disclosed in interim financial reports. Entities should consider making additional disclosures where the effects of these pronouncements are expected to be material and those effects have not been previously disclosed in the prior annual financial report.</p> <p><i>Tier 2 entities are exempt from these disclosures in an annual financial report, and accordingly would also be exempt at the interim period.</i></p>

Appendix B – The Accounting Standards Framework for PBEs



The Accounting Standards Framework for PBEs consists of the following suites of standards:

Accounting Standards Framework for Public Benefit Entities		
	Public sector PBEs	Not-for-profit PBEs
	PBE Standards	PBE Standards
Tier 1	Public accountability ¹ , or Large (expenses ² > \$33m ³)	Public accountability ¹ , or Large (expenses ² > \$33m ³)
	PBE Standards RDR	PBE Standards RDR
Tier 2	Non-publicly accountable and non-large Elect to be in Tier 2	Non-publicly accountable and non-large Elect to be in Tier 2
	Tier 3 (PS) Standard	Tier 3 (NFP) Standard
Tier 3⁴	Non-publicly accountable & expenses ² ≤ \$5 million ³ Elect to be in Tier 3	Non-publicly accountable and expenses ² ≤ \$5 million ³ Elect to be in Tier 3
	Tier 4 (PS) Standard⁵	Tier 4 (NFP) Standard⁵
Tier 4⁴	Entities allowed by law to use cash accounting Elect to be in Tier 4 Non-GAAP standard	Entities allowed by law to use cash accounting Elect to be in Tier 4 Non-GAAP standard

¹ Definition of 'public accountability':

- Entities that meet the International Accounting Standards Board's (IASB) definition of public accountability:
 - entities that have debt or equity instruments that are traded, or that will be traded, in a public market; or
 - entities that hold assets in a fiduciary capacity for a broad group of outsiders as one of its primary businesses.
- Entities deemed to be publicly accountable. An entity would be deemed to be publicly accountable in the New Zealand context if:
 - it is an FMC reporting entity or a class of FMC reporting entities that is considered by the FMA to have a higher level of public accountability than other FMC reporting entities under section 461K of the Financial Markets Conduct Act 2013 (FMCA 2013); or
 - it is an FMC reporting entity or class of FMC reporting entities that is considered by the FMA to have a higher level of public accountability by a notice issued by the Financial Markets Authority (FMA) under section 461L(1)(a) of the FMCA 2013.

For information on which entities the FMA has designated as having 'higher or lower public accountability' refer to the link:
<https://www.fma.govt.nz/compliance/exemptions/financial-reporting-exemption-information/#accountability>

² 'Expenses' are the total expenses (including losses and grant expenses) recognised and measured in accordance with the relevant tier's standards.

³ The size threshold increased from **\$30 million to \$33 million effective for periods ending on or after 28 March 2024**. For Tier 3, the size threshold **increased from \$2 million to \$5 million**. See [page 1](#) for the link on this amendment.

⁴ The New Zealand Accounting Standards Board issued new Tier 3 and 4 standards for reporting periods beginning on or after 1 April 2024. The new standards are available for early adoption for entities with reporting periods ending after 15 June 2023. See [page 1](#) for links to these new standards.

⁵ In order for an entity to be able to report under Tier 4 PBE Accounting Standards, an entity must, among other requirements, not meet the legislative size threshold to be a specified not-for-profit entity. When applying the legislative size threshold entities must consider combined total operating payments of the entity and all its controlled entities. The size threshold is \$140,000.

The above Framework applies when an entity is required to comply with NZ GAAP or a non-GAAP Standard. Requirements to comply with GAAP or a non-GAAP Standard are specified in legislation but may be included in other arrangements (e.g. contracts).

The XRB's website reflects the multiple sets of accounting standards that are available, so check you are using the correct version. You can find the PS PBE standards and the NFP PBE standards [here](#).

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