



New Statement of Service Performance standard issued for Tier 1 and 2 PBEs

At the beginning of November 2017, the NZASB approved the new financial reporting standard, PBE FRS 48 "Service Performance Reporting". It applies to those Tier 1 and 2 Public Benefit Entities (PBEs – for example, not-for-profits and charities) with financial reporting periods beginning on or after 1 January 2021.

Here's a summary of what the new standard requires of PBEs, they should:

1. Present service performance information and financial statements in the same general purpose financial report
2. Provide users with:
 - a. Sufficient contextual information to understand why the entity exists, what it intends to achieve in broad terms over the medium to long term, and how it goes about this; and
 - b. Provide users with information about what the entity has done during the reporting period in working towards its broader aims and objectives
3. Disclose those judgements that have the most significant effect on the selection, measurement, aggregation, and presentation of service performance information reported in accordance with this standard that are relevant to an understanding of the entity's service performance information

4. Clearly identify the service performance information presented in accordance with the Standard
5. Provide comparative information.

The standard says that in the SSP, a PBE shall provide users with an appropriate and meaningful mix of performance measures and/or descriptions for the reporting period. The performance measures and/or descriptions used by an entity to communicate its service performance may be:

- (a) Quantitative measures: For example: the quantity of goods and services, the cost of goods and services, the time taken to provide goods and services, levels of satisfaction using a rating scale on a questionnaire or survey, and numerical measures for service performance objectives or goals

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WELCOME

Haere mai and welcome to the end of 2017. In our final newsletter for the year, we look at the new developments for Tier 1 and 2 Public Benefit Entities and what their statement of service performance will look like. We also give you a summary of all the news you need to know in the Briefs section, and round off with what's been happening in our firms around the country.

On behalf of your local Moore Stephens Audit office, we wish you a safe and enjoyable Christmas break and we look forward to working with you in 2018.

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IN BRIEF



Real Estate Update

The REAA will soon change its name to the REA (Real Estate Authority). A new website and branding is currently in progress.

From 1 October 2018, The Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act will apply to real estate agents who

- Represent a client who's selling or buying real estate
- Accept a deposit in cash of \$10,000 or more from someone who's buying real estate.

More information is available on the Ministry of Justice website <https://www.justice.govt.nz/justice-sector-policy/key-initiatives/aml-cft/info-for-businesses/real-estate-agents/>

One of our specialties is trust account audits. We perform this service for lawyers, accountants, real estate agents who require assurance over their trust account. All real estate agencies in New Zealand must have their real estate trust account audited and we provide this service to many around New Zealand. The next time you buy or sell a house, make sure the agent's trust account is audited.

Summary of important upcoming new and updated financial reporting standards

For-profit entities

Standard	Effective date – period beginning on or after
NZ IFRS 9 'Financial instruments'	1 Jan 2018
NZ IFRS 15 'Revenue from contracts with customers'	1 Jan 2018
NZ IFRS 16 'Leases'	1 Jan 2019

Not-for-profit entities – Tier 1 and 2

Standard	Effective date – period beginning on or after
PBE IPSAS 34 'Separate financial statements'	1 Jan 2019
PBE IPSAS 35 'Consolidated financial statements'	1 Jan 2019
PBE IPSAS 36 'Investments in associates and joint ventures'	1 Jan 2019
PBE IPSAS 37 'Joint arrangements'	1 Jan 2019
PBE IPSAS 38 'Disclosure of interests in other entities'	1 Jan 2019
PBE IPSAS 39 'Employee benefits'	1 Jan 2019
PBE IFRS 9 'Financial instruments'	1 Jan 2021
PBE FRS 48 'Service performance reporting'	1 Jan 2021

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(b) Qualitative measures: For example: descriptors such as compliance or non-compliance with a quality standard, ratings such as high, medium or low, or ratings assigned by experts; or

(c) Qualitative descriptions: Examples of qualitative descriptions are those based on participant observations, open-ended questions on interviews and surveys and case studies. For example, how

did an entity's service performance activities change the well-being and circumstances of a client group?

There is no format and layout of the SSP specified in the standard, essentially it is up to each PBE to decide how it should look and how it will meet the needs of the users of the financial report. The standard does suggest, that an entity may find it helpful to present the required information as answers

to questions such as:

- Who are we?
- Why do we exist?
- What did we do? and
- How did we perform?

Over the next couple of years, Tier 1 and 2 PBEs should consider how their SSP should look like and what measures and descriptions they could use.



Education update

The Education (Update) Amendment Act 2017 (the Act) came into effect on 19 May 2017.

One of the changes in the new act is the clarifying of the board of trustees' roles and responsibilities. There are three changes to the Act, which make boards' roles and responsibilities clearer:

1. Brings all the various roles and responsibilities of boards of trustees together in one place in the Act – Schedule 6 of the Education Act 1989
2. Defines that the Board is the governing body of the school – refer Schedule 4 of the Education Act 1989. "A board is responsible for the governance of the school, including setting the policies by which the school is to be controlled and managed." States that the "school's principal is the board's chief executive in relation to the school's control and management."
3. Places an explicit obligation on boards to take all reasonable steps to ensure that the policies and practices for its school reflect New Zealand's cultural diversity and the unique position of the Māori culture. In performing its functions and exercising its powers, a board must take all reasonable steps to act in a manner that is consistent with the principles of the Treaty of Waitangi – refer Clause 16(2) of Schedule 6 of the Education Act 1989.

Charities – new grounds for officer disqualification

The Charities Amendment Act 2017 has recently come into force, which has added a new ground for officer disqualification. It means that an individual is now generally unable to be an officer of a registered charity if convicted of tax evasion or a similar offence under section 143B of the Tax Administration Act 1994 and sentenced for that offence within the last seven years.

New charity reporting - one year on

It has been more than a year since new reporting standards became mandatory for registered charities in New Zealand. Chartered Accountants Australia & New Zealand has published a report that analyses the areas that have presented the greatest challenges in this first year of reporting under the new standards.

New Zealand's Charity sector is large – there were:

- 27,842 registered charities as at 30 June 2017
- \$17.6 billion of income received for the year ended 30 June 2017
- \$16 billion of expenditure for the year ended 30 June 2017.

This report is on the Chartered Accountants Australia & New Zealand website:

<https://www.charteredaccountantsanz.com/news-and-analysis/news/new-charity-reporting-a-year-in-review>

Code of Ethics changes for auditors and accountants

Recent changes to the code of ethics now provides guidance to assurance providers and accountants in what to do when there is non-compliance with laws and regulations (NOCLAR). Essentially, it allows accountants to set aside their duty of confidentiality in the Code of Ethics when they come across non-compliance of laws and regulations – and alert the appropriate authorities where fraud, corruption, bribery, money laundering or other illegal acts have been suspected or uncovered. The code provides guidance on when members of the accounting profession should alert the authorities:

1. The non-compliance with laws and regulations must have a direct and material effect on the amounts and

2. The non-compliance, if not qualitative, should be fundamental to the operating aspects of the client's business, to its ability to continue its business, or to avoid material penalties.

You can find the updated code, as relevant to assurance providers, in PES 1 (Revised) on the External Reporting Board's website.

Tax changes

Use of Money rate changes

The use-of-money interest rates on underpayments and overpayments of taxes and duties have changed, in line with market interest rates. The new rates are:

- Underpayment rate: 8.22 percent (previously 8.27 percent)
- Overpayment rate: 1.02 percent (previously 1.62 percent)

The new rates came into force on 8 May 2017.

Rules for donee organisations providing receipts clarified

Inland Revenue recently issued a document - QB 16/05 – on donee organisations and when a donee organisation may issue a donation receipt for payments made to them by individual supporters.

This provides guidance on when payments are gifts for income tax purposes for both donee organisations when issuing donation receipts, and for their supporters when claiming donation tax credits.

Find more information here <http://www.ird.govt.nz/resources/f/7/f7d57b27-0162-4d4e-9514-1e1d11460f94/qb1605.pdf>

Merry Christmas

We wish you and yours a safe, happy holiday season.



TEAM NEWS

Auckland

Kerry Kek has joined us as an audit graduate.

Christchurch

We welcome Jordan Pearson to the team as an audit graduate.

Wellington

Our firm will enter its 70th year in 2018, and we're very proud of the fact. Our original firm was founded in 1948, by Malcolm Mason who was joined by Desmond King in 1953 to become Mason King. The firm joined the Markhams group in 2006. We became Markhams Miller Dean Audit in 2009 and, after Markhams joined the Moore Stephens group, we changed our name to Moore Stephens Wellington Audit in 2013.

We have recently welcomed Jonathan Naysmith to the audit team. Congratulations to Diana You who has become a Chartered Accountant and Senior Auditor.

In June, our partners converged on the Moore Stephens Australasian conference in Melbourne to get updates on our audit methodology and meet with other audit staff from offices of Moore Stephens around Australia and New Zealand.

New national manager of technical audit and quality appointed

Moore Stephens Australasia (Australia and New Zealand) is pleased to announce the appointment of Tony Caldwell as National Manager of Technical Audit and Quality.

Tony joined Moore Stephens originally in 2013, in the Audit and Assurance division. In 2017, Tony accepted a position within Moore Stephens Australasia to maintain and develop a consistent approach to audit engagements, which is implemented across all our Australasian member firms.

Tony's primary responsibilities are:

- Maintaining and developing our network's audit methodology, manual and audit software
- Maintaining our network's Quality Control and Ethical policies and procedures
- Undertaking quality control reviews throughout Australasia
- Managing the Australasian audit quality control inspection programme.

New global CEO appointed

We're delighted to announce that Anton Colella is Moore Stephens International's new global Chief Executive Officer following a worldwide search.

Anton Colella is currently global Chief Executive of the Institute of Chartered Accountants of Scotland (ICAS).

Moore Stephens International has grown significantly over the last decade through network expansion and broadening service offerings and target markets. A newly developed strategy will see us drive substantial growth through enhanced collaboration, communication and innovation, combined with the roll-out of aligned values and brand messages.

Anton Colella's appointment is key to the delivery of our growth strategy and is part of a revised governance structure designed to drive the network forward.

Richard Moore, MSIL Chairman, said: "We are delighted that Anton is joining Moore Stephens International at this important time. He is a motivational leader and is highly respected by major firms, global professional bodies, regulators and governments.

"His experience offers a unique insight into the challenges facing our business and he brings change management skills which will greatly benefit our network and its member firms.

"Anton's appointment provides the inspiration, direction and challenge necessary to achieve the objectives of Moore Stephens International and cement our position as a major global business."



Peter Smith 1948 - 2017

On 24 August, we said farewell to our dear colleague, mentor, and advisor, Peter Smith after a short battle with illness. Peter was a partner of our Wellington, Wairarapa and Hawke's Bay audit practices, and formerly a director in the Wellington business advisory firm for many years.

A true gentleman, Peter is very much missed for his calm, dignified demeanour, his considerable knowledge and expertise that he freely shared, and his generous mentorship and support of clients, his team and his colleagues.

Read a fuller story of Peter's life and contribution to our firm here <http://www.moorestephens.nz/peter-smith-1948-2017/>

Should you have any questions about any of the articles in this newsletter, please contact your local audit team.

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