NAVIGATING DISRUPTION FROM AN ACCOUNTS PERSPECTIVE

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NAVIGATING DISRUPTION FROM AN ACCOUNTS PERSPECTIVE

The review of Te Ture Whenua Māori Act 1993 (“Act”), with a single focus on the accounting reporting framework and audit requirements under the current legislation. In part it will be an update of where the review is at. It will be a timely discussion as our land blocks will be heading into accounts preparation and audit season (not long after the conference).

This is linking into the theme (from a slightly different perspective) as ‘disruption’, the impact of the review of the Act and unintended consequences of wording in the Act has caused real disruption which we all have a view on.

CONTENT

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- Specific accounting matters under NZ GAAP / SPFR
- Considering an audit even where not a legislative requirement

REPORTING / AUDIT REQUIREMENT UNDER THE ACT BEFORE 12 MAY 2017

- 276A Māori incorp. financial statements must be prepared in accordance with,

  (a) in the case of a specified not-for-profit entity, generally accepted accounting practice; or

  (b) in any other case, either generally accepted accounting practice or a non-GAAP standard that applies for the purposes of this section
- 277 Māori Incorp. audit required. This section does not apply to a Māori Incorp. that is not a specified not-for-profit entity unless resolved otherwise
- Disbandment of Old GAAP
- No non-GAAP standard for ‘for-profit’ entities
- Māori incorporations which were for-profit had to comply with IFRS (RDR) to comply with NZ GAAP
- Ahu whenua Trusts depend on Trust deeds

REPORTING / AUDIT REQUIREMENT UNDER THE ACT AFTER 12 MAY 2017

- Section 276A is amended so that—

  'Large' Māori incorporations must prepare financial statements in accordance with generally accepted accounting practice. An incorporation is large if it had more than $10 million of revenue in each of the 2 preceding financial years.

  'Other' Māori incorporations must prepare financial statements that at least comply with the Inland Revenue minimum financial reporting requirements.

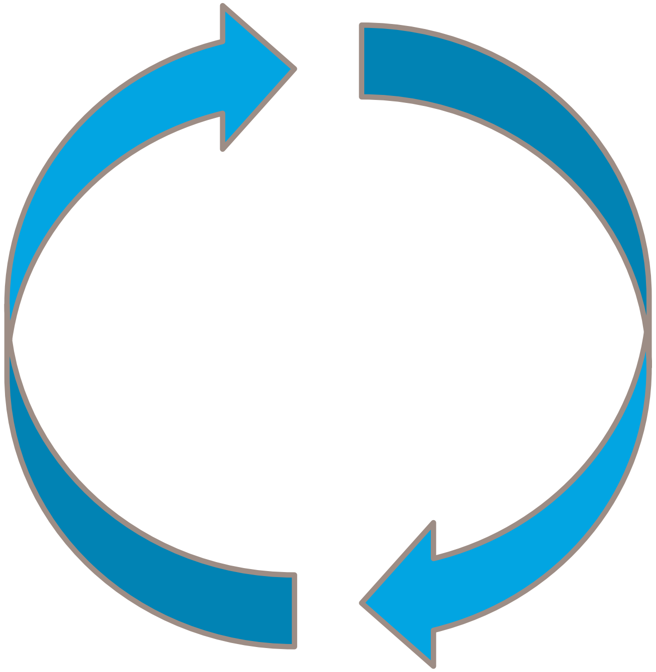
- Section 277 is amended so that—

  an audit requirement only applies to 'large' Māori incorporations.

- A transitional provision provides relief for financial years that commenced on or after 1 April 2014 (but not financial years to which the new requirements will apply). In this case, the financial statements of a non-large Māori incorporation will be treated as complying with the 1993 Act unless the financial statements are false or misleading in a material particular.
- Ahu Whenua Trusts still depend on Trust deeds

REPORTING / AUDIT REQUIREMENT AFTER REFORM

- Appears the requirements will remain consistent.
- Governance agreements will capture financial reporting and audit requirements. In the form of Constitutions and Trust Deeds.
- Appears governance agreements will be required to incorporate consistency and bill compliance.



ACCOUNTANTS OBLIGATION AROUND REPORTING FRAMEWORK

Paragraph 130.1(b) of the Code of Ethics states that the principle of professional competence and due care imposes an obligation on all members to act diligently in accordance with the standards issued by the Institute, the External Reporting Board, the New Zealand Auditing and Assurance Standards Board, the New Zealand Accounting Standards Board, and other statutory requirements or authoritative guidance applicable to the task or engagement when providing professional services.

AUDITORS OBLIGATION AROUND REPORTING FRAMEWORK

Paragraph NZ6.1 of ISA (NZ) 210 Agreeing the Terms of Audit Engagements states that one of the preconditions for accepting an audit engagement is that the financial reporting framework applied in the preparation of the financial report is acceptable.

IMPROVING PRESENTATION AND DISCLOSURE

- Relevant information
- Irrelevant information
- Presentation for understanbility
- Current exposure draft: Disclosure Initiative – Principles of Disclosure: comments due to NZASB 18 August 2017

IMPROVING PRESENTATION AND DISCLOSURE

Relevant information

- Consider needs and wants of users/shareholders
- Consider benefits of consistency year to year
- Consider benefits of consistency entity to entity

IMPROVING PRESENTATION AND DISCLOSURE

Irrelevant information

- NZ IAS 1: Material Omissions or misstatements of items are material if they could, individually or collectively, influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size and nature of the omission or misstatement judged in the surrounding circumstances. The size or nature of the item, or a combination of both, could be the determining factor.

  Requires consideration of the characteristics of those users. 'users are assumed to have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information with reasonable diligence.'

IMPROVING PRESENTATION AND DISCLOSURE

Presentation for understandability

- Accounting policies
- Format
- Language

GROUP DISCUSSION ON IMPROVEMENTS

What improvements have you already made in financial statements to improve communication to users?

What improvements do you think can be made in common financial statements to improve communication to users?

Commonly included but irrelevant?

SPECIFIC ACCOUNTING MATTERS UNDER NZ GAAP / SPFR

- Livestock
- Forestry
- Carbon credits
- Unclaimed dividends
- Pre entry retained earnings

CONSIDERING AN AUDIT EVEN WHERE NOT A LEGISLATIVE REQUIREMENT

- Independent check for the benefit of the Maori Incorp. or Trust
- Not just a numbers thing (Can include systems, controls, governance, process, policies, and more)
- Comfort for owners


Thank you!