

# **Auckland Regional Amenities Funding Amendment Bill**

Private Bill

## **Explanatory note**

### **General policy statement**

This Bill aligns the financial reporting requirements for specified amenities under the Auckland Regional Amenities Funding Act 2008 (the **principal Act**) with the requirements of the Charities Act 2005.

Currently, the combination of requirements under the principal Act and the Charities Act 2005 means that specified amenities under the principal Act must comply with two different accounting standards (respectively, New Zealand International Financial Reporting Standards and generally accepted accounting practice (**GAAP**)) when preparing their financial statements. The dual reporting requirement is the result of amendments to the Charities Act 2005 that came into force in 2015, which require charities to prepare financial statements according to GAAP. The Act that amended the Charities Act 2005 also amended some legislation that imposed reporting requirements on other charitable entities to achieve consistency with the accounting standard required under the Charities Act 2005.

The purpose of the Bill is to remove from the principal Act the requirement that specified amenities prepare financial statements according to New Zealand International Financial Reporting Standards and to allow specified amenities to prepare a single set of financial statements that comply with GAAP.

### **Clause by clause analysis**

*Clause 1* is the Title clause.

*Clause 2* is the commencement clause. The Bill comes into force on the day after it receives the Royal assent.

*Clause 3* identifies the Auckland Regional Amenities Funding Act 2008 as the principal Act being amended. The principal Act is a private Act.

*Clause 4* inserts, into section 4, definitions of financial statements and generally accepted accounting practice (**GAAP**) that cross-refer to the Financial Reporting Act 2013.

*Clause 5* amends section 39. Section 39 requires a specified amenity that receives funding under the principal Act for a financial year to prepare a report for the year. The report must include financial statements comprised of statements and information listed in section 39(2)(b)(i) to (v). *New section 39(2)(b)* replaces both the list of what is required to be in the financial statements and the requirement for the statement of financial position to be prepared in accordance with the New Zealand International Financial Reporting Standards with a short statement that the financial statements must be prepared in accordance with GAAP. Because there may be other information that does not form part of financial statements prepared in accordance with GAAP but that is reasonably necessary to enable the Funding Board to make an informed assessment of the amenity's operations for the year as set out in its annual plan, *new section 39(2)(c)* reinstates the requirement (currently in section 39(2)(b)(v)) that the specified amenity's report include any such other information.

*Clause 6* amends section 40 along similar lines. Section 40 requires the Funding Board to prepare a report for every financial year and subsection (1)(c) lists what is required for the financial statements that form part of that report. Unlike in section 39, there is no express statement in section 40 as to any accounting standard to be applied but the financial statements must be audited (and are, in practice, audited for compliance with GAAP). For consistency and clarity, *new section 40(1)(c)* replaces the list of what is required to be in the audited financial statements with a short statement that the financial statements must be prepared in accordance with GAAP.

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### **Preamble**

- (1) The Auckland Regional Amenities Funding Act 2008 (the **principal Act**) provides for funding for specified amenities in the Auckland region.
- (2) Section 39 of the principal Act requires that the specified amenities prepare financial statements that contain a statement of financial position prepared in accordance with New Zealand International Financial Reporting Standards and that contain the other statements and information set out in section 39(2)(b). 5
- (3) The specified amenities are registered charitable entities under the Charities Act 2005.
- (4) In 2015, the Charities Act 2005 was amended to require that certain charitable entities (those whose total operating payments are \$125,000 or more in each of the 2 preceding accounting periods) prepare financial statements in accordance with generally accepted accounting practice (**GAAP**) (*see* section 42A of that Act). 10
- (5) By the same Act that amended the Charities Act 2005, some legislation governing specific charitable entities was amended to achieve consistency with the 15

accounting standard required under the Charities Act 2005 (*see* the Financial Reporting (Amendments to Other Enactments) Act 2013).

- (6) The principal Act was not amended.
- (7) The requirement under the Charities Act 2005 to prepare financial statements in accordance with GAAP is in addition to any other reporting requirement under any other enactment. 5
- (8) Consequently, the specified amenities are currently required to prepare financial statements according to both New Zealand International Financial Reporting Standards and GAAP.
- (9) The objects of this Act are to remove the requirement that specified amenities prepare financial statements according to New Zealand International Financial Reporting Standards and to permit specified amenities to prepare a single set of financial statements that comply with GAAP. 10
- (10) For consistency, this Act also amends section 40 to clarify that the Funding Board's audited financial statements are prepared in accordance with GAAP. 15
- (11) The objects of this Act cannot be achieved without legislation.

**The Parliament of New Zealand therefore enacts as follows:**

**1 Title**

This Act is the Auckland Regional Amenities Funding Amendment Act **2019**.

**2 Commencement** 20

This Act comes into force on the day after the date on which it receives the Royal assent.

**3 Principal Act**

This Act amends the Auckland Regional Amenities Funding Act 2008 (the **principal Act**). 25

**4 Section 4 amended (Interpretation)**

In section 4, insert in their appropriate alphabetical order:

**financial statements** has the same meaning as in section 6 of the Financial Reporting Act 2013

**generally accepted accounting practice** has the same meaning as in section 8 of the Financial Reporting Act 2013 30

**5 Section 39 amended (Specified amenity does annual report)**

Replace section 39(2)(b) with:

(b) contains financial statements for the year prepared in accordance with generally accepted accounting practice; and 35

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- (c) contains any other information reasonably necessary to enable the Funding Board to make an informed assessment of the amenity's operations for the year as set out in its annual plan.

**6 Section 40 amended (Funding Board does annual report)**

Replace section 40(1)(c) with:

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- (c) contains audited financial statements for the year prepared in accordance with generally accepted accounting practice; and