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## PUBLIC BENEFIT ENTITIES' CONCEPTUAL FRAMEWORK

This Authoritative Notice was issued on 19 May 2016 by the New Zealand Accounting Standards Board of the External Reporting Board pursuant to section 12(c) of the Financial Reporting Act 2013.

This Authoritative Notice is a disallowable instrument for the purposes of the Legislation Act 2012, and pursuant to section 27(1) of the Financial Reporting Act 2013 takes effect on 16 June 2016.

Reporting entities that are subject to this Authoritative Notice are required to apply it in accordance with the effective date, which is set out in Part B.

In finalising this Authoritative Notice, the New Zealand Accounting Standards Board has carried out appropriate consultation in accordance with section 22(1) of the Financial Reporting Act 2013.

This *Public Benefit Entities' Conceptual Framework* has been issued as a result of a new international public sector conceptual framework.

This Authoritative Notice, when applied, supersedes the *Public Benefit Entities' Framework* issued in September 2014.

# PUBLIC BENEFIT ENTITIES' CONCEPTUAL FRAMEWORK

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The *Public Benefit Entities' Conceptual Framework* is set out in Chapters 1–8. The *Public Benefit Entities' Conceptual Framework* is based on *The Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities* developed and approved by the International Public Sector Accounting Standards Board.

## Objectives of Financial Reporting

- 2.1 The objectives of financial reporting by public benefit entities are to provide information about the entity that is useful to users of GPFRs for accountability purposes and for decision-making purposes (hereafter referred to as “useful for accountability and decision-making purposes”).
- 2.2 Financial reporting is not an end in itself. Its purpose is to provide information useful to users of GPFRs. The objectives of financial reporting are therefore determined by reference to the users of GPFRs, and their information needs.

## Users of General Purpose Financial Reports

- 2.3 Public benefit entities raise resources from funders or financial supporters, (for example, taxpayers, members and donors), lenders and other resource providers for use in the provision of services to citizens and other service recipients. These entities are accountable for their management and use of resources to those that provide them with resources, and to those that depend on them to use those resources to deliver necessary services. Those that provide the resources and receive, or expect to receive, the services also require information as input for decision-making purposes.
- 2.4 Consequently, GPFRs of public benefit entities are developed primarily to respond to the information needs of service recipients and resource providers who do not possess the authority to require a public benefit entity to disclose the information they need for accountability and decision-making purposes. The legislature (or similar body) and elected or appointed representatives are also primary users of GPFRs, and make extensive and ongoing use of GPFRs when acting in their capacity as representatives of the interests of service recipients and resource providers. Therefore, for the purposes of the PBE Conceptual Framework, the primary users of GPFRs are service recipients and their representatives and resource providers and their representatives (hereafter referred to as “service recipients and resource providers”, unless identified otherwise).
- 2.5 Citizens receive services from, and provide resources to, public benefit entities. Therefore, citizens are primary users of GPFRs. Some service recipients and some resource providers that rely on GPFRs for the information they need for accountability and decision-making purposes may not be citizens—for example, residents who pay taxes and/or receive benefits but are not citizens; multilateral or bilateral donor agencies and many lenders and corporations that provide resources to, and transact with, a public benefit entity; and those that fund, and/or benefit from, the services provided by international governmental organisations. In most cases, public sector entities that provide resources to international governmental organisations are dependent on GPFRs of those organisations for information for accountability and decision-making purposes.
- 2.6 GPFRs prepared to respond to the information needs of service recipients and resource providers for accountability and decision-making purposes may also provide information useful to other parties and for other purposes. For example, statisticians, analysts, the media, financial advisors, public interest and lobby groups and others may find the information provided by GPFRs useful for their own purposes. Organisations that have the authority to require the preparation of financial reports tailored to meet their own specific information needs may also use the information provided by GPFRs for their own purposes—for example, regulatory and oversight bodies, audit institutions, subcommittees of the legislature or other governing body, central agencies and budget controllers, entity management, rating agencies and, in some cases, lending institutions and providers of development and other assistance. While these other parties may find the information provided by GPFRs useful, they are not the primary users of GPFRs. Therefore, GPFRs are not developed to specifically respond to their particular information needs.

## Accountability and Decision Making

- 2.7 The primary objective of public benefit entities is to provide goods or services for community or social benefit. Services provided by public sector entities include, for example, welfare, policing, public education, national security and defence services. Services provided by not-for-profit entities and, in some cases public sector entities, include, for example, health, social welfare, housing, research, cultural, sport and recreation, environmental, employment and training, community development and religious services. Although public sector and not-for-profit entities may enter into contracts for the delivery of services, in